Satellites

European makers left at the launch pad

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Cowes week

Still afloat in rough seas

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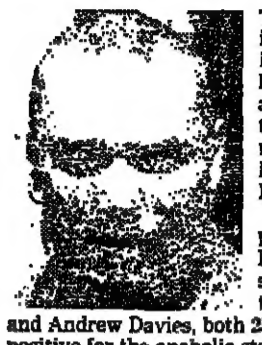
Whaling: Norway moves in for the kill

NEWSPAPER of THE YEAR

FINANCIAL TIMES

Friday July 31 1992 EUROPE'S BUSINESS NEWSPAPER D8523A

UK competitors sent home in drugs scandal



Three British competitors were sent home in disgrace from the Barcelona Olympics after positive drug tests in one of the most damaging scandals in Britain's Olympic history.

Expelled before competing were Jason Livingston, 21, a 100m sprinter, and weightlifters Andrew Saxton and Andrew Davies, both 25. Livingston tested positive for the anabolic steroid Methandianone. He was known as "Baby Ben" because of his resemblance to his hero, Canadian sprinter Ben Johnson, who was stripped of the 100m Olympic gold medal at Seoul four years ago after failing a drug test.

Davies and Saxton, shown above yesterday after returning to his home at Cowley, Oxford, gave test samples containing Clenbuterol, a banned stimulant. Saxton protested his innocence. All three underwent the random tests three weeks ago. UK sports minister Robert Key said he was "horrified" and promised there would be "no hiding place" for cheats. **Olympics reports and more pictures, Page 10**

Hopes rise in South Africa: South African government and African National Congress officials held talks arranged by visiting US envoy Cyrus Vance, raising hopes of a breakthrough in the country's political stalemate. **Page 14**

Clifford denies guilt: Former US defence secretary Clark Clifford, 85, said there was "not one scintilla of direct evidence or proof", that he had committed any crimes in connection with *his stewardship of the Washington bank holding* company alleged to have been secretly acquired by the Bank of Credit and Commerce International. He is accused of fraud, bribery, conspiracy, larceny and racketeering. **Page 14**

US growth slows: The US economy expanded at a real annual rate of 1.4 per cent in the second quarter – less than half the revised rate of the first, the Commerce Department said. **Page 4; Lex, Page 14**

BMW, German luxury carmaker, reported net profits up 10.5 per cent to DM421m ($277m) in the first half of the year. Turnover rose 12 per cent to DM16.2bn and the number of cars sold increased 15.4 per cent to 300,367. **Page 15**

Digital cassettes delayed: Philips, Dutch electronics company, said it was putting back the launch of the digital compact cassette, its latest audio product, from September until later in 1992, because of problems during trial production of DCC players. **Page 15**

Israeli blast kills two: Two people were killed and 40 injured in an ammunition bunker explosion *at an Israel Military Industries plant at Nof Yam,* 12 miles north of Tel Aviv. RIt is the second blast at an IMI plant in five weeks.

Scotti angers president: Italian president Oscar Luigi Scalfaro rebuked Vincenzo Scotti who quit as foreign minister on Wednesday, saying the move *was unjustified at a time of economic* crisis and rising organised crime. **Page 2**

Russia gets tough: Russia is telling the other former Soviet republics they must either stay in or get out of the rouble zone. **Page 2**

Warning on soft UK recovery: Any recovery by the UK banking industry will "feel much like recession", Midland Group-chief executive Brian Pearse said as he announced that the bank had returned to profit in the half-year to June 30. **Page 15; Lex, Page 14**

Execution after 18-year wait: William Andrews, 37, was executed by lethal injection at Utah State Prison for the torture and murder of three people at a stereo store in 1974. He had been awaiting the death sentence for 18 years, longer than any of the 2,500 prisoners on "death row" in US prisons.

Sumitomo Chemical, Japanese chemical producer, reported a 61.5 per cent fall in pre-tax profit to Y9.1bn ($72.8m) in the first half-year to end-June, as the slowing of the Japanese economy undermined demand for industrial chemicals. **Page 19**

Wellcome, UK drugs group, claims its international employee share option scheme is one of the most ambitious ever produced. **Page 14**

STOCK MARKET INDICES

FT-SE 100:	2,411.6	(−11.6)
Yield	5.08	
FT-SE Eurotrack 100	1,068.92	(−8.77)
FT-A All-Share	1,143.53	(−0.4%)
Nikkei	15,555.80	(+459.65)
New York lunchtime:		
Dow Jones Ind Ave	3,374.87	(−4.32)
S&P Composite	421.61	(−0.62)

US LUNCHTIME RATES

Federal Funds:	3$\frac{1}{8}$%
3-mo Treas Bills: Yld	3.24%
Long Bond	106[illegible]
Yield	7.467%

LONDON MONEY

3-mo Interbank	10[illegible]%	(10[illegible]%)
Liffe long gilt future	Sep 97[illegible]	(Sep 98[illegible])

NORTH SEA OIL (Argus)

Brent 15-day (Sep)	$20.50	(20.675)

Gold

New York Comex (Aug)	$356.4	(356.5)
London	$358.6	(356.95)

STERLING

New York lunchtime:		
$	1.9173	
London:		
$	1.919	(1.917)
DM	2.8425	(2.845)
FFr	9.6	(9.61)
SFr	2.535	(2.5325)
Y	245	(245.25)
£ Index	92.3	(same)

DOLLAR

New York lunchtime:		
DM	1.48385	
FFr	5.008	
SFr	1.3232	
Y	127.65	
London:		
DM	1.4815	(1.484)
FFr	5.0025	(5.0125)
SFr	1.3215	(1.321)
Y	127.85	(127.9)
$ Index	66.5	(same)
Tokyo close Y 127.77		

Austria	Sch30	Hungary	Ft162	Malta	Lm0.50	S Arabia	SR9.00		
Bahrain	Din1.000	Iceland	IKr190	Morocco	MDh11	Singapore	S$4.10		
Belgium	BFr80	India	Rs20	Neth	Fl 3.50	Spain	Pta200		
Cyprus	C£1.00	Indonesia	Rp3600	Nigeria	Naira20	Sweden	SKr14		
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00		
Denmark	DKr15	Italy	L2500	Oman	OR1.20	Thailand	Bht60		
Egypt	E£4.00	Jordan	JD1.20	Pakistan	Rs35	Tunisia	Din1.000		
Finland	FM10	Korea	Won 2500	Philippines	Pso45	Turkey	L5000		
France	FFr8.50	Kuwait	Fils 500	Poland	Zl 16,000	UAE	Dh9.00		
Germany	DM3.20	Lebanon	US$1.25	Portugal	Es190				
Greece	Dr250	Lux	LFr60	Qatar	QR10.00				

Honecker charged on 49 counts of manslaughter

By Leslie Colitt in Berlin

MR ERICH HONECKER, the former East German leader, was charged yesterday on 49 counts of manslaughter after his extradition from Moscow on Wednesday night.

The 79-year-old ex-Communist leader was charged in connection with the shooting by border guards of 49 would-be refugees at the Berlin Wall and other parts of the frontier with West Germany between 1961 and 1989.

Mr Honecker was also charged with breach of trust in connection with the privileges enjoyed by the Communist leadership at its compound in Wandlitz outside Berlin.

The East German treasury, the charge sheet said, lost DM15.5m ($10.1m) in hard currency during 1988 and 1989 alone.

He made no statement after the charges were read out to him,justice officials said.

Mr Honecker's lawyer, Mr Friedrich Wolff, described his client as "very shaken" after the hearing. Carrying his trademark fedora hat, Mr Honecker smiled wanly at his lawyer and shook his hand after the 15-minute hearing.

He was returned to the hospital of Berlin's Moabit detention prison. Mr Honecker was once imprisoned in Moabit by the Nazis as a young communist militant.

The former leader was examined by prison doctors, who *found him in good health for a* man of his age. Ms Jutta Limbach, head of the Berlin Justice Department, said the doctors declared him capable of serving in detention.

Mr Helmut Kohl, the German chancellor, who is on holiday in Austria, said when he was advised of Mr Honecker's return to Berlin: "It was about time. Now the trial can begin."

Mr Wolff said his client had no chance of a fair trial because reunited Germany had already found him guilty. Mr Wolff, who *once defended East German dissi*dents, said the uproar surrounding Mr Honecker's return from Moscow after 16 months as a fugitive made it almost impossible to stage an effective defence.

"Honecker has been tried in public and by the media and has been *found* guilty," Mr Wolff told reporters. "A fair trial is not possible when one considers how he has already been prejudged."

Former East German officials put on trial for manslaughter or fraud so far have been acquitted or given light suspended sen*tences.*

Mr Wolff said his client had refused to leave the compound of the Chilean embassy in Moscow after hearing on Wednesday that the Chilean government no longer desired his presence. Russian security men then entered the embassy and told him to pack his things and leave.

Mr Wolff described this move as a breach of international law.

Meanwhile Mr Honecker's wife Margot left Moscow on an Aeroflot airliner for Chile, according *to the Itar-Tass news agency.*

Editorial Comment, Page 12
Observer, Page 13

ICI to float drugs and agrochemicals as a separate unit

By Paul Abrahams and Roland Rudd in London

IMPERIAL Chemical Industries yesterday signalled the European chemicals industry's most important shake-up since the second world war with a plan to split into two separate companies.

Under the proposal Britain's biggest chemicals group, founded in 1928, will float off its drugs and agrochemicals operations as a separate publicly listed company to be known as ICI Bio. The remaining bulk chemical business will be known as ICI.

Shareholders will receive one share in each of the new companies for every existing ICI share.

The company said ICI Bio planned to *raise* cash through a share issue at the time of the demerger.

The move was welcomed by analysts, although some said the company still had to answer questions about the allocation of debt and tax liabilities before the demerger's benefits could be evaluated. In spite of poor half-year results announced yesterday, ICI's shares ended 76p up at £11.71 ($22.34).

Sir Denys Henderson, current ICI chairman, would be chairman of the two groups, which will carry on sharing the present London headquarters for at least two years.

Mr Ronnie Hampel, presently chief operating officer, would be chief executive of ICI. Mr David Barnes, presently a board member with responsibility for the Americas and Europe, will become chief executive of ICI Bio.

ICI, with annual turnover of about £9bn, would drop from number five in the world chemicals industry to number seven.

■ Parts greater than the whole PAGE 12
■ Lex: ICI does the splits PAGE 14
■ Background to the decision PAGES 16 and 17

The pharmaceuticals company, with sales of about £4bn would become the world's ninth largest drugs group.

The decision to split the company was taken in December last year, seven months after Lord Hanson took a 2.8 per cent stake in the chemical giant, prompting speculation his group might make a bid.

The proposal was put forward by *Mr John Mayo* of S.G. Warburg, ICI's financial adviser. Mr Mayo, a 36 year-old corporate finance director at Warburg, worked with a small team on the proposal for four months. It was unofficially put to the board last April and finally approved on Wednesday.

Sir Denys said:

"For the businesses, the move would provide the chance to seize opportunities for global expansion from a firm financial platform.

"Each of the new groupings would enable each company to respond better to future opportunities. ICI now comprises two dis*tinct families of businesses with* the same values, but very different technologies, operating requirements and market needs," he added.

Analysts argue that the separation would also make the two groups far less vulnerable to takeover. ICI's Bio would be too expensive for a contested takeover. The group's remaining operations would be unattractive as a target.

*Lord White, chairman of Han*son Industries, the conglomerate's North American arm, and partner of Lord Hanson, said yesterday: "If ICI had not spent so much time during the last year fighting a bid that was never made and spent it on seeing how it could improve shareholder value it might have come up with a better solution a lot earlier."

Sir Denys also announced that ICI Bio planned to raise new equity capital through a public offer at about the same time as the demerger. A final decision will not be taken until the publication of the group's preliminary results in February 1993.

Picture Trevor Humphries

ICI chairman Sir Denys Henderson: chance to seize opportunities for global expansion

UK business chiefs urge devaluation

By Andrew Baxter, Ivo Dawnay, and Peter Norman in London

THE UK Treasury yesterday rejected calls for the government to change its economic policies as two senior business leaders threw their weight behind calls for a realignment of the European exchange rate mechanism.

Outspoken comments from Mr Brian Pearse, Midland Bank chief executive, and Sir Denys Henderson, ICI chairman, indicated the growing willingness of UK businessmen to speak out about the problems caused by sterling's high value within the ERM.

Professor Douglas McWilliams, economic adviser of the Confederation of British Industry, said businessmen were increasingly worried that the government was not doing enough to influence the economy. "They are not marching on Downing Street yet," he said. "But they are very restive."

Treasury officials insisted a realignment of currencies in the ERM was "not on the agenda" and that the government was determined to stick by its policy of no devaluation of sterling in the European Monetary System.

As long as France refuses to allow the D-Mark to revalue against the franc, the Treasury sees no prospect of a change in ERM relationships. British officials have in any case made clear that the UK will not devalue sterling against the D-Mark.

"It's no good slavishly sticking to the *ERM* only to find that we have no business left at the end of it all," Mr Pearse said in an interview with Reuter. "It does mean doing something so that the currencies are realigned."

He warned that Midland did not see any growth in the UK until there was "quite a substantial cut in interest rates". A rise in interest rates would be "absolutely disastrous".

Sir Denys said Mr Norman Lamont, the chancellor, and his European counterparts "should look very hard at some kind of general realignment. . .because there is no doubt that those of us who are big exporters are finding sterling at a pretty high level against the D-Mark and, *more* importantly, against the dollar".

Allianz shares hit by advice to sell from Deutsche Bank

By David Waller in Frankfurt

SHARES in Allianz, Europe's largest insurance company, dropped 4 per cent yesterday *after the research subsidiary of* Deutsche Bank, Germany's biggest bank, advised clients to sell their shares in it.

Allianz's shares have fallen by more than 7 per cent – including yesterday's fall of DM79 – to DM1,872 ($1,231) since Tuesday when the company announced its results for last year. The Munich-based group suffered its first ever loss on its mainstream underwriting business, caused by losses in North America and eastern Germany.

Mr Michael Drepper of DB Research came to the conclusion, following a presentation by Allianz to stockbrokers' analysts in Munich on Wednesday, that Alli*anz's earnings per share for last* year were significantly overstated and on that basis urged the bank's clients to sell.

Such a sell-recommendation, while common in the UK and the US, is unusual in the German equity market. It prompted an immediate, and equally unusual response from Allianz, in the form of a statement defending the way it calculated its earnings.

DB Research told its clients that Allianz's earnings last year should more properly have been DM26 a share, less than two thirds of the DM40.85 reported on Tuesday and a 40 per cent drop from the DM43.30 reported in 1990.

The analyst decided that the DM576m ($379m) loss incurred by Deutsche Versicherungs – the former east German state sector insurance monopoly acquired by Allianz for DM711m – should have been booked "above the line" and not treated as an extraordinary item which does not have any effect on earnings.

Allianz retaliated by saying that the losses ought to be *treated as part of the cost of the* acquisition. "We took over a state monopoly where the productivity was 35 per cent of the level in the west of Germany," Mr Diethart Breipohl, Allianz's finance director argued yesterday. "We have to incur costs [to rationalise the business] which none of our competitors in the east have to bear. If this doesn't count as extraordinary, I don't know what does."

The share price reaction in *recent days highlights investors'* mounting disillusionment not just with the east German acquisition but more generally with Allianz's strategy of diversifying overseas, away from the profitable German market. Losses from Fireman's Fund, the US insurance company bought in 1990, combined with the poor result from the east German operations to produce an underwriting loss of DM1.78bn last year compared with a profit of DM182m in 1990.

Yesterday's events are likely to lead to further tension between Allianz and Deutsche Bank, the two most powerful companies in the German financial services industry and – via their net*works of industrial holdings – in* the German corporate scene.

Mr Thomas Neisse, head of equity research at DB Research, said yesterday that the advice to sell had nothing to do with the animosity between the two institutions.

CONTENTS

Moscow tells republics of former Soviet Union they must decide soon whether to stay in or get out

Russia cracks the whip over rouble zone

By John Lloyd and Dmitri Volkov in Moscow

RUSSIA is getting tough with the other former republics of the Soviet Union. It is telling them they must make a choice - stay in or get out of the rouble zone.

Nearly all the central banks of the former Soviet republics continue to use the rouble which the Russian central bank prints, but they do not submit to any effective discipline over rouble denominated credits, thus creating a serious source of monetary instability.

The central bank of Ukraine, for instance, issued credits of some Rbs500bn last month to relieve the debt burden of the country's corporations. The effect of such transactions is to debauch the Russian currency. The Ukraine and the Baltic republics have even taken to printing their own bank notes, faced with the inability of the Russian mint to produce enough roubles to cope with hyper-inflation throughout the former Soviet Union.

Russia has been reluctant to tighten discipline because an end to the credit extended to other republics means they will not be able to pay the bills they owe to Russian enterprises, and could result in political instability spilling over to Russia or affecting the Russians in those republics. But it must save its own currency, so, this month and next it will put pressure on them to choose. If they opt out, then they must negotiate conditions for establishing a separate currency. If they decide to stay in, they must obey the dictates of the Russian central bank.

A survey of the republics reveal that the majority will fall into line with Russia. This is especially so in the case of Belarus, which signed an agreement with Russia earlier this month hailed on both sides as heralding a new era of co-operation and explicitly providing for submission of the Belarus central bank to Russia's.

It is also broadly the case in central Asia, where none of the five republics – Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan or Uzbekistan – is planning its own currency in the near future. Mr Bisenchaly Tadjiyakov, deputy governor of the Kazakh bank, says that "if we are forced to leave, we will be the last to do so". Mr Nazar Shaparov, president of the Turkmen state bank, says: "We plan to stay in for some time."

None of this means forever, nor that they are happy. When Mr Alexander Shokhin, Russia's deputy premier, toured central Asia last week to discuss the rouble zone, he found that his hosts expected their meagre supply of roubles to increase by next month at the latest. Mr Shikmatulla Yunusov, the central bank chairman in Uzbekistan, says coupons will be introduced to make up for the rouble deficiency, which has meant no pay for many Uzbeks for some months.

"Our people are patient," he says, hopefully. They will have to be. Mr Georgy Khizha, another Russian deputy premier, said recently the Russian central bank could not possibly make good the rouble deficit by August.

Of the three Caucasian states, only Azerbaijan says it will introduce its own currency, the manat, supposedly from August 15, under a decree signed last week by President Abulfaz Elchibey (though it is unclear how far it will be a coupon, how far a genuinely separate currency). However, Aermenia has no plans for a new currency yet, says Mr Ashot Salmazaryan, head of the Finance Ministry's monetary department, and would only bring one in if the cash shortage grew critical.

More surprisingly, Georgia, which is not a member of the Commonwealth of Independent is will also not rushing to introduce its own currency. Mr Nuzgar Shegeladze, vice-president of the state bank, said a commission had been set up to study the issue, but he noted that the IMF and the World Bank had both advised against.

For the three Baltic states, however, independence includes the currency, too. Estonia already has the kroon, the first real separate currency, having negotiated an exit from the rouble zone with the Russians last month. Latvia last week introduced the rublis, which presently trades against the dollar at a rate a little lower than the Russian rouble. Only Lithuania is uncertain. Its former prime minister, Mr Gediminas Vagnorius, said that the lit would be introduced from August 1, but his government fell last week.

Moldova, racked with military concerns and with government turbulence until the recent partial ceasefire, has not carried out a decision made last January to introduce the lei as a national currency (the lei is also the name of the Romanian currency) and is not expected to do so soon.

This leaves Ukraine. Officially, the hryvnia is to be introduced in August or September, a strategy confirmed by President Leonid Kravchuk in Paris last month. Mr Alexander Yemelyanov, the chief economic adviser, says the quicker Ukraine gets out of the rouble zone the better since the price liberalisation strategy followed by the Russian government is inappropriate for a state which does not export oil and therefore does not benefit from putting prices up to world market levels.

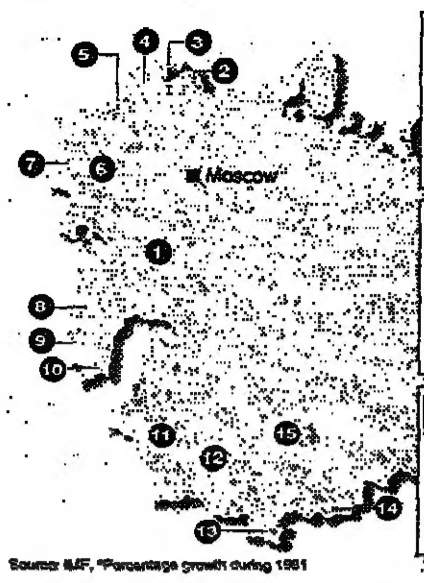
There are doubts, however, that the new currency can be introduced in time – while the coupon, which has replaced the rouble in many retail transactions, is now trading significantly below the Russian rouble, giving ordinary citizens a bad experience of their "own currency".

Meanwhile the roubles status in foreign exchange terms is fraught with problems. At present, enterprises can buy foreign currency at the central bank's currency exchange which gathers twice a week, and where the main restriction is the limited offering of hard currency.

Citizens can, in principle, go to any bank and buy up to $500 at the market rate if they want to travel abroad, while some private stores are beginning to sell goods either for dollars or for roubles at the corresponding market rate.

But the Russian currency has a long way to go before it becomes convertible in the sense that people trust it sufficiently to hold it for any period of time or to conclude significant contracts in roubles.

The debasement of the rouble



No.	Republic	Currency	Growth in national debt*	Domestic credit growth*	Consumer prices*
1	Russia	rouble	76%	91.3%	90.4%
2	Estonia	kroon	32.9%	144.6%	211.8%
3	Latvia	rublis	15%	95.7%	172.2%
4	Lithuania	rouble	22.8%	57.4%	224.7%
5	Belarus	rouble	80.3%	87.4%	80.0%
6	Ukraine	coupon	85.1%	144.9%	84.2%
7	Moldova	rouble	75.7%	62.7%	98.0%
8	Georgia	rouble	80.2%	34.8%	81.1%
9	Armenia	rouble	87.7%	38.2%	100.3%
10	Azerbaijan	manat from Aug 15	56.6%	90.7%	87.3%
11	Turkmenistan	rouble	60.7%	232.3%	90.0%
12	Uzbekistan	rouble	63.9%	99.3%	82.2%
13	Tajikistan	rouble	64.5%	117.4%	103.0%
14	Kyrgyzstan	rouble	62.9%	105.5%	181.0%
15	Kazakhstan	rouble	68.3%	117.6%	84.0%

Source: IMF, *Percentage growth during 1991

Honecker homecoming may reopen old wounds

By Christopher Parkes in Bonn

CHANCELLOR Helmut Kohl yesterday washed his hands of Mr Erich Honecker and suggested others do the same. The political work was done, he said. The former communist leader of East Germany had been delivered into the arms of the law. Politicians had no further cause to be involved.

Not so much a warning, more a sigh of relief after months of uncertainty, the chancellor's sparse comments were matched by restrained reactions from all parties. The most expressive response, reflecting popular concerns only belatedly taken up by politicians, came from Mr Wolfgang Bötsch, a senior member of the Christian Social Union.

"The charge that the little people hang while the big ones go free is disproved," he said.

Such accusations surfaced during the trial of four former East German border guards who had implemented Mr Honecker's alleged shoot-to-kill policy against East Germans fleeing west.

The trial could last two years or longer. Some commentators suggested the court case could help clear the air and ease the suspicions and superstitions still clouding relations between the people of eastern and western Germany, others felt it could make matters worse.

Airing crimes and antagonisms which most people would rather forget – if yesterday's popular reactions are any guide – could reopen old wounds and slow the already sluggish process of healing and unification.

The possibility of Mr Honecker implicating others, westerners as well as easterners, in the alleged misdeeds of himself and his administration was widely discounted in Bonn yesterday. But the risk remains that his testimony could embroil the government in controversy.

Among the general public, the most common preoccupation among the young on both sides of the country yesterday was the potential cost of a protracted trial. In sum: Mr Honecker should have been left in Moscow with his memories.

However, some older groups, particularly in the east, suggested the trial would demonstrate where the real guilt lay and relieve them of lingering feelings of guilt by association. A recent poll in the east showed 50 per cent wanted him brought back for trial, compared with 40 per cent in the west.

Demands for revenge were rare. Even though Mr Honecker faces a maximum term of 15 years' jail on the manslaughter charges alone, a taste of his own medicine was considered a more fitting punishment for the 79-year-old, already deprived of the companionship of his wife, Margot, who flew into exile in Chile yesterday. "They should put him in one of those little flats he gave us and give him the pension we had," said one elderly woman in Chemnitz.

President rebukes minister who quit

By Haig Simonian in Milan

PRESIDENT Oscar Luigi Scalfaro of Italy yesterday severely rebuked Mr Vincenzo Scotti, who on Wednesday resigned as foreign minister.

The head of state indicated he saw the resignation, which has been widely criticised, as unjustified at a time of severe economic crisis and rising organised crime, which have severely damaged the country's image abroad.

The resignation was badly received on the financial markets, with both the lira and the Milan stock market under pressure. Dealers said the move implied further tensions within the new government and the Christian Democrat party.

Shares on the Milan bourse fell to their lowest level this year, while the lira declined against the D-Mark after a period of relative calm earlier this week. The lira slipped to 756.25 against the D-Mark, after being fixed at 755.91 on Wednesday. Italian government bond futures prices in London dropped more than a full point from Wednesday's 92.71 closing.

Mr Scotti resigned over a new Christian Democrat policy which says that members who are ministers should renounce their parliamentary seats. The doctrine has encountered some hostility in the party, and Mr Scotti evidently set more weight by his Naples constituency than his ministerial post.

The resignation highlights the extent of internal differences among Christian Democrats, who have been without a leader since the resignation of Mr Arnaldo Forlani soon after the April 5 general election.

President Scalfaro, a Christian Democrat before becoming head of state, accused Mr Scotti of irresponsibility. "If instead of serving the interests of the people, factional interests are allowed to take priority over the interests of the state, then this is a crime against the state."

Mr Scotti blamed the party system, rather than his decision, for weakening the new government. "The government is not weak because of some internal problem. It has not been weakened by my gesture... It is weak because of this situation within the parties," he said.

France and Italy appealed yesterday for an urgent meeting of EC interior and justice ministers to stop the spread of organised crime, Reuter reports from Rome.

It is feared the Mafia will try to exploit the ending of border controls inside the Community on January 1. Action to stop money laundering and a German proposal for a common EC police force are likely to be high on the agenda.

Vincenzo Scotti: jumped ship at time of crisis

Croatian president is already claiming victory in next Sunday's polls

Tudjman reckons the war is over

By Laura Silber in Zagreb

CROATIA'S president is already claiming victory in next Sunday's elections – the first test of his nationalist government since its fight for independence from Yugoslavia led to a bloody war with Serbia.

Mr Franjo Tudjman, a 70-year-old former Communist army general, says the war is over as far as Croatia is concerned. "It was won a long time ago. It was won when we prevented Yugoslav and Serb authorities from overthrowing the authorities in Croatia."

The opposition parties, however, dismiss this notion. They say the price of independence was the loss of 10,000 lives and control over a quarter of Croatian territory, now patrolled by United Nations peacekeepers. The country, which was recognised by the international community, is now providing refuge to some 700,000 people displaced by the war in Bosnia and Croatia.

They also charge that the ruling Croatian Democratic Union (CDU), since coming to power in April 1990 on a vow to win independence, has failed to introduce democracy and monopolised the political agenda. The CDU has purged the press by sacking unsympathetic journalists and maintains an iron grip over Croatian television.

Nonetheless, Mr Tudjman and his CDU look set to do well in Sunday's poll, which will elect both the president and the new parliament. This is partly because the war has been so painful that many Croatians fear further change, and partly because of the way the government has organised the elections.

There are fears that the government's failure to announce the number of voters until tomorrow leaves open the possibility of election rigging.

Mr Zarko Puhovski, a professor of political philosphy at Zagreb University, said: "Elections cannot work in a state in which there is no way of knowing how many voters there are until the Saturday before the ballot."

It has not yet been announced whether polling booths will be open in the zones disputed with Serbia, which are under UN protection.

Croatian voters abroad will be allowed to vote and the recent move to allow some 800,000 Bosnian Croats to have dual citizenship appears to indicate they, too, will be voting. They are expected to cast their ballot for Mr Tudjman or extreme nationalist parties, for their political and military support.

The role of the UN peacekeepers (UNPROFOR) has been crucial in the election campaign. "The bottom line on this issue with almost all opposition parties is that they say: we don't need UNPROFOR, it is partisan and favours the Serbs and we have to diminish its role if we can't throw it out all together," explains Mr Puhovski.

The war has given rise to ultranationalism throughout Croatia. Mr Dobrosav Paraga, leader of the Croat Party of Rights and the Croatian Defence Force, its military wing, has campaigned on the slogan "UNPROFOR go home".

His party is expected to win support especially in the war-torn regions. He calls for Croatia to extend its borders east to the city limits of Belgrade, the capital of Serbia.

His fiery appeals to Croats to "burn Serbian cities" will win him support among the more desperate section of the population. But Mr Tudjman is likely to ride high for having at least achieved independence for his country.

Ogata to discuss refugee 'safe zones'

By Frances Williams in Geneva

MRS SADAKO OGATA, the United Nations High Commissioner for Refugees, said yesterday she would discuss the creation of "safe zones" for victims of conflict in Bosnia-Hercegovina with Mr Boutros Boutros Ghali, UN secretary-general.

Although the UNHCR has serious reservations about the idea, Mrs Ogata came under pressure to pursue it at Wednesday's international conference in Geneva on the refugee crisis in former Yugoslavia.

How the zones would be protected and by whom, given the UN's overstretched resources, is one key issue. The UNHCR also fears that moving people into "safe zones" could encourage "ethnic cleansing" – the forced expulsion of ethnic minorities from their homes – and so exacerbate the refugee problem.

However, there appears to be growing support for the idea of "preventive protection" of existing mixed areas where the presence of international aid workers and monitors could deter expulsions, now running at up to 10,000 a day.

A meeting of the "follow-up committee" to Wednesday's conference, involving 38 countries directly concerned, also commissioned the UNHCR to study the legal implications of according temporary asylum to those fleeing the former Yugoslavia. Baroness Chalker, the British overseas development minister, had said she opposed creating a special refugee category for this group alone.

However, other governments think "temporary protected status", as applied in the US, which would not grant permanent resettlement rights, would make it easier to keep their borders open.

The meeting also discussed the aid needs of countries buckling under the pressure of refugees, such as Croatia, Slovenia and Hungary.

● Defence and foreign ministry officials from the Western European Union met in Rome yesterday to draw up contingency plans for military protection for humanitarian convoys in the former Yugoslavia, Reuter reports.

The meeting began among growing signs that the United States and its European allies were moving towards the idea of a limited use of force in the Yugoslav conflict, at least to guarantee the safe-passage of relief supplies to crisis areas.

The assistant US secretary of state for international organisations, Mr John Bolton, said on Tuesday that Washington was consulting other powers over possible military action to protect the delivery of relief. The idea is to use air and naval power to provide cover for European forces that would set up humanitarian corridors on the ground.

NEWS IN BRIEF

More people out of work in France

FRENCH unemployment, the main black spot in an otherwise healthy economy, continued to rise last month, to a seasonally adjusted 2.92m, the Labour Ministry said, writes William Dawkins in Paris.

The number out of work rose by 0.4 per cent between May and June, or by 8.9 per cent over the year, giving an unemployment rate of 10.3 per cent of the active population.

There is a glimmer of hope that long-term unemployment might be on the retreat. The number out of work for more than 12 months fell by 0.4 per cent from May to June, to 934,600.

Turkish municipal workers strike

More than 40,000 Turkish municipal workers in five cities went on strike yesterday after an unresolved five-month pay dispute, a union official said, Reuter reports from Ankara. The municipalities jointly offered a 57.3 per cent annual pay rise from March this year, against union demands of 116 per cent. Both figures include various fringe benefits. Turkey's annual inflation rate fell to a 12-month low of 65.8 per cent in June.

Report backs EC entry for Norway

A Norwegian government report yesterday said the country's foreign and security interests would be best served if it joined the European Community, Reuter reports from Oslo. Norwegians narrowly rejected EC membership in a 1972 referendum, but Norway will probably apply in November.

Stalingrad falls to onward march of capitalism

Leyla Boulton accompanies western experts advising on privatisation as they enter Stalin's hero city

THE FORMER Stalingrad, site of the heroic Soviet victory over Nazi Germany, has been chosen as the focus for a new attempt to build "capitalism in one city".

It kicked off when a team of well-heeled executives from the Washington-based International Finance Corporation (IFC) flew in by private jet on Wednesday to sign a deal to advise on the privatisation of small businesses in what is now called Volgograd.

Four months after turning the town of Nizhny-Novgorod into a showcase for successful privatisation, the World Bank's private investment arm is pursuing what its chief executive, Sir William Ryrie, calls a trend-setting exercise, but this time on a more ambitious scale. The aim is to auction some 600 shops, 350 restaurants and 270 service outlets in Volgograd and the surrounding region.

The IFC is not touching the area's ailing industrial giants for now, since eastern European experience shows that this sort of activity is much slower to produce positive results.

On the surface, life in the "hero city" has already changed considerably in the past 18 months.

Underlining the demise of communist rule since the abortive coup last August, Mr Ivan Shabunin, the regional governor, has taken over the best office in the local government building from the ex-Communist party boss, who is himself reported to have joined a private company by the name of "Tsaritsa". Mr Albert Orlov, the previous administration chief who closed down private tomato hothouses, has also gone into business.

One of the first regions to promote private farming, Volgograd now has more than 3,000 new farmers and cheap credit is still available to help newcomers, thanks to generous state subsidies, according to Ms Lyudmilla Tatokhina, chairman of the local agricultural bank.

But apart from that, the little privatisation that has taken place so far has been messy and unpopular and Volgograd will need all the help it can get from its IFC advisers.

"First they have to explain what privatisation is," said Ms Elena Bocharova, a 56-year-old accountant. "I understand privatisation if my apartment becomes mine, but the rest I don't have a clue about."

The employees at Nevesta (Bride), a dressmaker's shop which was sold for Rbs10m at Volgograd's first auction of small state businesses, have been kept in the dark about the new owners' plans for two months.

"We've got magic hands but we can't earn money to pay ourselves because our customers think that privatisation means we've stopped making dresses," complained a depressed employee.

IFC officials suggested the uncertainty at Nevesta was the sort of problem they could help avoid in future – by switching to a system of selling physical assets without liabilities rather than privatising going concerns. But this approach risks attracting popular anger because workers are laid off before a sale goes ahead, leaving it up to the new owner to decide whether to rehire them.

Another big problem, admits Mr Yuri Chekhov, the city's mayor, is "nomenclatura privatisation" whereby privileged officials acquire or sell state property by crooked means. He has already fired one of his own deputies for such practices.

"Any good idea we get from the west turns into a deformed monster in Russia," said Ms Julia Sablina, a young journalist who is trying to set up her own business. "So it will be good if the foreigners can control how privatisation is conducted here."

Anti-western graffiti proclaiming Russia to be "the 51st state of the USA" suggest that not all Volgograders share her enthusiasm.

● Mr Anatoly Chubais, the Russian privatisation minister, said yesterday that vouchers entitling all citizens to acquire an unspecified amount of privatised property free of charge would soon be ready for distribution.

The IFC published a manual on privatisation for local officials.

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South Africa fears a week of violence despite latest attempt to defuse crisis

Hostels may prove deadly flashpoint

Philip Gawith and Michael Holman report on the threat of township clashes during next week's ANC-led strike

OF THE many potential flash-points in the week of industrial action that gets under way in South Africa on Monday, none is more volatile than the single-men's hostels scattered around the industrial heartland of the Witwatersrand.

Present are all the ingredients for violence – ethnic and political tensions, living conditions that are often wretched, and competition for jobs in an economy now in the third year of a recession. The hostel dwellers – or "inmates" as they are often called – are mainly, though not entirely, Zulu and supporters of Chief Mangosuthu Buthelezi's Inkatha Freedom Party.

Last week Chief Buthelezi angrily condemned the African National Congress (ANC) call for a two-day general strike starting on Monday and called on his followers to assert their "right to work".

Confrontation thus seems inevitable, and it is likely to involve around 25 "problem" hostels in the region around Johannesburg which have been linked to more than 260 attacks over the past two years, claiming 1,200 lives and causing injuries to 3,700 people.

The massacre last month of 42 people in the township of Boipatong thrust the hostel issue to the forefront of national concerns, for the attackers were said to come from the nearby Kwamadala hostel. Boipatong, however, was merely the latest in a gruesome series of attacks which have left hostels such as Madala in Alexandra township and Nancefield and Jabulani in Soweto as bywords for violence.

Media reports of attacks from hostels 1990-1992

Hostel and No. of incidents	No. of dead	*Inkatha support %
Soweto		
Nancefield (28)	74	90
Dube (17)	34	87
Jabulani (12)	93	100
Merafe (11)	73	100
Mzimhlope (34)	84	-
Diepkloof (32)	-	95
Dobsonville (10)	33	-
Total (144)	391	-

* Inkatha Freedom Party figures
Source: Independent Board of Inquiry

It prompted renewed calls, however, for measures that seemed long overdue – fence the hostels, monitor access points and confiscate weapons, increase police patrols in the area, and begin a longer-term programme to phase out hostels and replace them with family accommodation.

"Fine in principle, but try putting it into practice," complains a senior government official whose job is to resolve the problem.

Although the government adopted a hostel upgrading strategy in October last year, and voted R294.6m ($106m) in the 1992/93 budget to finance it, it has been the object of criticism for not having shown greater resolution.

Most hostels are in the public sector, run by black local authorities or provincial administrations, but there are also private hostels, mostly in the mining industry.

Professor Dan Smit of the University of Natal, Durban, who has done research into the hostel system, calculates that there are at least 380,000 public and private hostel beds in South Africa which are used by more than 1m migrant workers during the course of a year. The average hostel probably houses about 2,000.

The conventional image of hostels has them as squalid and over-crowded seats of crime, dominated by Zulu-speaking Inkatha supporters, mostly unemployed, who are invariably the aggressors in situations of township conflict.

While there are hostels which conform to this stereotype, many more do not. As pressure to deal with the hostel problem has escalated, so it has become clearer that any quick-fix solution, premised on the belief that all hostels are "bad", is inappropriate and unfeasible.

The government's strategy of either upgrading or converting hostels into family units first requires consensus between interested parties – principally, the residents, civic associations, neighbouring township dwellers and the local authorities which own most hostels. While progress has been made in some areas, it has been difficult to get parties around the table where there has been violence. Mr Johan du Plessis, director of urbanisation at the Transvaal Provincial Administration comments: "Trying to reach consensus in the Witwatersrand is virtually impossible."

Zulu migrant workers on the march during recent clashes near Johannesburg

The authorities face an unenviable task. On the one hand, there is recognition of the urgent need for change to be seen to be taking place on the ground. On the other, this change can only commence when there is consensus, at individual hostel level, about the way forward. In more troubled areas this is a distant dream.

Further complicating matters is that despite being an artificial, primitive and inadequate form of accommodation, many residents wish to preserve hostels, which are a preferable alternative to squatter camps. While housing would obviously be desirable, apartheid and unrest have so disrupted the housing delivery process in townships that there is no effective housing market and the state simply does not have the funds to meet the housing backlog itself.

Hostels have their origin in the migrant labour system, whereby working men living in outlying rural regions or neighbouring countries came to the cities to seek work on the mines or in industry. The apartheid system regarded these men as "temporary sojourners" in urban areas. As such, they left their families in the "homelands" and moved into hostel accommodation, designed for single men.

Research conducted by Lauren Segal of Wits University indicates that before violence came to the Transvaal townships in July 1990, hostel-dwellers and township residents co-existed reasonably. Hostel dwellers had always been "social enclaves", perpetuating the more traditional value and authority systems found in rural areas but it was only with political mobilisation during the late-1990s that a wedge started to be driven between them and township residents.

Union and youth movements called for work stayaways and boycotts without consulting hostel dwellers who fiercely resisted them.

Even so, it was only when township violence worsened in mid-1990 that relations deteriorated dramatically, with ethnicity becoming an important factor.

Hostel dwellers, perceiving a common threat, based on their identification as Zulus, banded together for support. In many cases they drove non-Zulus out of the hostels and turned to Inkatha for support.

Police force tainted by frontline role in political battles

Philip Gawith reports on what the future holds for the servants of the state many blacks have grown to fear

THE South African Police force has had a bad week.

It started with a British academic delivering a devastating indictment of its handling of the Boipatong massacre last month. This was followed by allegations from a prominent pathologist that the lower ranks of the police were totally out of control and responsible for 90 per cent of deaths in custody.

A judicial investigation into the killing of 18 people last year in Mooi River in Natal then heard details of another grievously deficient police investigation. To cap it all, renewed allegations of police torture surfaced in Cape Town and there were two further deaths in police custody.

Seldom can a country's police force have had a more important role to play, and seldom can its competence to perform this role have been more in dispute. Yet it is this force that will have to carry the burden of maintaining order in the week of unprecedented industrial disruption that lies ahead.

The government has already given notice that it will not allow demonstrations planned for next week to lead to violence. Earlier this week it announced it was deploying an extra 5,000 troops in 14 Transvaal townships, ostensibly to facilitate the repair of infrastructure and services. Few observers believe, however, that the timing of the deployment is unrelated to the general strike called by the African National Congress for next week. The poor image of the police is not something new. Years of enthusiastic implementation of apartheid laws did terrible damage to their image in the black community.

Two years ago, though, it appeared a new era had dawned when, in January 1990, President F W de Klerk signalled a fundamental shift in policing policy. "We will not use you any longer as instruments to attain political goals," he said. "This is the responsibility of politicians. We will have to stop asking you to fight in the front trenches in the political battle. Let the politicians look after the politics."

The interim may have seen the police relieved of the burden of enforcing apartheid laws, but they have still played an important role in enforcing state authority, often between warring political factions. About a third of the force is engaged in combating violence and unrest. The death toll in these township clashes is high – more than 13,000 dead since 1984. An under-reported fact, however, is the high number of police fatalities. Last year 137 police were killed during execution of their duty and this year that figure is already more than 130. Radical elements of black political organisations make no effort to disguise their hatred of the police. A poster often seen at rallies in recent weeks has proclaimed "Kill a cop a day". These police victims are more likely to be black than white. About 55 per cent of the 110,000-strong force are non-white and the most vulnerable of all are the black police living in townships.

The upper echelons, however, remain overwhelmingly white. The 1992 police year book reveals an all-white general staff of 53, the vast majority of whom are Afrikaners. It is difficult to believe these men have the will to effect fundamental reform.

There have been efforts to change with the times. At the police training college in Pretoria, where all basic training is done, instructors say they put increasing emphasis on rendering service. They acknowledge that, previously, they had allowed a "them and us" attitude to creep into their policing. Now the emphasis is on partnership. The police want to be seen not as a force, but as a service, says commanding officer, Brigadier Lollo van Vuuren.

As the events of past week show, however, there is a yawning gap between good intentions in basic training and the grim-faced policemen many South Africans have grown to fear. The force may have an unclear view of what the new South Africa requires of it, but it must increasingly be aware that the ways of the old South Africa are no longer acceptable.

UN anger as Iraq shells marsh Arabs

By Michael Littlejohns in New York

IRAQI forces using heavy artillery have attacked civilian targets in Shia villages in the southern part of the country and committed "massive human rights violations", according to reports the United Nations believes are reliable.

Mr Max van der Stoel, special representative of the UN human rights commission, appealed to Baghdad to end "intentionally repressive policies".

The former Dutch foreign minister also expressed concern about an internal economic blockade depriving some Iranians of essential humanitarian aid.

He cited a co-ordinated programme to relocate forcibly "marsh Arabs" in more easily controlled villages.

Mr van der Stoel voiced alarm about an enormous government-initiated water-diversion and drainage programme – the Third River Project – that threatened to destroy the local habitat as well as an ancient culture.

His appeal to the Iraqi authorities, addressed to Mr Mohammed Saeed al-Sahaf, the new foreign minister, coincides with rising anger in the UN Security Council whose members are expected soon to discuss measures in response.

The UN envoy called for an immediate end to military attacks and for consultations to be held with the local population about water diversion and amalgamating villages.

He reminded the Iraqi government of the Security Council resolution 688 adopted last year which demanded an end to repression in Iraq in order to contribute to peace and security in the region.

He wants a halt to the Third River Project and the despatch of human rights monitors to the region.

● A US emergencies official yesterday accused two warlords fighting for control of Somalia of slowing efforts to end "the single worst humanitarian crisis in the world", Reuter reports from Nairobi.

Mr James Kunder, director of foreign disaster assistance at the US aid agency USAID, attacked self-styled President Ali Mahdi Mohammed and his rival warlord, Mohammed Farah Aideed, for demanding money to protect food convoys and for looting emergency supplies. "People are dying in their thousands daily because aid workers cannot move relief food," he said.

Tribal tensions undermine Kenyan opposition party

By Julian Ozanne in Nairobi

KENYA'S main opposition party has been weakened by a bitter power struggle which could boost the electoral chances of President Daniel arap Moi.

The rift in the Forum for the Restoration of Democracy (Ford) is so severe that yesterday Mr Maside Muliro, the interim vice-chairman, alleged "the two camps have armed themselves to the teeth to do battle with each other".

Privately, many senior Ford officials say the split, ostensibly over internal party elections, is irreparable and a formal division is possible. Behind the issue of the party's elections lie tribal divisions and a power struggle between Mr Kenneth Matiba, a presidential aspirant who is a Kikuyu, and Mr Oginga Odinga, another presidential aspirant who is interim chairman of Ford and a Luo.

Party officials say the bickering between the two factions has played into Mr Moi's hands to the extent that Ford's early popularity has waned and Mr Moi could win a snap election.

Mr Moi has the right to call the country's first multi-party elections in more than two decades any time before the end of parliament's five-year term next March. Political observers in Nairobi believe an election in September or October is possible.

Crisis talks appeared to be under way yesterday to resolve the rift, which emerged publicly on Tuesday when five Ford executive committee members called for the postponement of the party's internal elections, which are due to begin tomorrow. They said Ford was ill prepared to conduct free and fair internal elections.

Mr Odinga and his faction said the elections should go ahead.

Mr Matiba believes that as a hero of the pro-democracy movement, he deserves the presidency. Mr Odinga's group say that the country is not ready for another Kikuyu president (former President Jomo Kenyatta was a Kikuyu) and that Mr Matiba is not well enough since suffering a stroke as a result of his long detention by Mr Moi.

Zimbabwe seeks aid to pay drought bill

ZIMBABWE is seeking a hefty increase in foreign aid to help cover emergency drought relief in a year of economic gloom, according to the 1992-93 budget which was presented to parliament yesterday, Reuter reports from Harare.

The finance minister, Mr Bernard Chidzero, warned that Zimbabwe's economic output could fall 9-12 per cent in the coming year, compared to real growth in gross domestic product last year of 3.6 per cent.

He said inflation was the country's number one problem. It was running at more than 36 per cent on an annual basis at the end of May and was expected to average 40-45 per cent for 1992.

Mr Chidzero added, however, that the government was committed to its 18-month-old economic reform plan as "the only way forward even in these difficult times".

He forecast an 18.76 per cent rise in the budget deficit in 1992-93 to Z$2.019bn ($404m) from an actual deficit of Z$1.7bn for the 1991-92 fiscal year ended July 30. The finance ministry received the biggest single boost for emergency spending on drought relief. Mr Chidzero said he hoped to cushion the budget deficit with Z$800m in international aid grants, a hefty jump from Z$349m in the past year.

Total expenditure and net lending for 1992-93 was forecast at Z$12.9bn compared with actual spending of Z$11bn last year, while revenue and international aid grants were forecast at Z$10.886bn compared with Z$9.364bn.

HK airport talks fail to progress

TALKS between China and Britain to break the deadlock over the financing for Hong Kong's new airport ended yesterday with no agreed date for a resumption, Reuter reports from Hong Kong.

"I'm sure that in due course we will resolve these problems, the airport will be built," the leader of the British negotiating team, Mr Anthony Galsworthy, said after the meeting, the third this month.

The talks were the first since a war of words erupted over the airport and the running of the colony. China has objected to financing plans for the multi-billion dollar project, saying they will saddle the colony with huge debts.

CNAC buys air cargo stake, page 19

South Korea to boost investment overseas

By John Burton in Seoul

SOUTH Korea will introduce new rules on September 1 to encourage corporate investment abroad.

The total of $4bn in direct overseas investment made by South Korea amounts to only 1.2 per cent of GNP, against 13.2 per cent for Japan, although it has grown by an annual average of 40 per cent since 1985.

The government believes that increased foreign investment will improve the acquisition of technology as well as reduce the vulnerability of Korean companies to protectionism.

Korean companies will be permitted to raise overseas all the capital necessary to finance foreign investments, including mergers and acquisitions, instead of being required to obtain some funds domestically.

This should reduce corporate financing costs, because interest rates in South Korea are higher than those in most of its main trade partners.

The financial restrictions have hampered mergers and acquisitions abroad, which amounted to only $110m last year.

The government will only review applications for foreign investments exceeding $10m, up from the current limit of $2m. Investment in countries with which South Korea has no diplomatic relations will be treated the same as other nations.

This is to encourage activity in China and Vietnam.

UN's 'humble servant' not a man to be pushed around

Boutros Boutros Ghali's independent thinking in troubled times upsets critics, reports **Michael Littlejohns**

Boutros Ghali: can hardly be blamed for losing patience

NEAR THE Security Council chamber at United Nations headquarters an exhibit designed to inform tourists includes this description of the office of secretary general: "The most impossible, frustrating, daunting, challenging, clearly unique job on earth."

Like his five predecessors in the top UN post, Mr Boutros Boutros Ghali would surely agree that the adjectives are no exaggeration.

Barely seven months in office and reeling under a mounting load of problems, not to mention criticism of his independent style of running the organisation, he may wonder why he ever wanted to give up Egypt's single-issue Middle East diplomacy for this.

In an extraordinary period in history, the former Egyptian deputy prime minister has to supervise UN operations at flashpoints around the world and try to avert other crises.

Yet members continue to impose new tasks on an over-extended organisation already showing signs of stress, and his job is not helped by their refusal to provide finance for his extensive battery of activities.

Cambodia, where the biggest ever UN operation is under way, is expected to cost more than $2bn and after only a few months is recording a $465m shortfall. The peace-keeping effort in former Yugoslavia is $83m in arrears and governments owe more than $910m in regular budget assessments. More than half of this is US debts.

A report yesterday said the UN was owed nearly $1.75bn in regular and peace-keeping dues and might have to cease operations at the end of the year without an immediate inflow of cash.

The sea of red ink has not deterred states from engaging the UN in ever more ventures and the Security Council is now in virtual permanent session, breaking all records this year for number of meetings held.

The secretary general can hardly be blamed if his patience is running out. In testy mood last week he took sharp issue with the Security Council for approving a potentially hazardous new mission for UN troops in Bosnia-Hercegovina, requested by the EC-sponsored peace conference on Yugoslavia chaired by Lord Carrington, claiming he had not been properly consulted.

Mr Douglas Hurd, the UK foreign secretary, in his capacity as current EC president, made an unscheduled stop in New York on his way to the Philippines to mollify the furious secretary general. In the end, the disagreement was papered over and an enlarged Yugoslav peace conference, in which the UN will play an important role, was the direct result.

Significantly, Mr Boutros Ghali stuck to his guns. He is his own man, not to be pushed around and, he believes, entitled to express his objections vigorously if he considers a programme for UN action to be ill conceived.

Officials have tried to minimise the affair, but many acknowledge it may be symptomatic of basic differences between Mr Boutros Ghali and the membership over the relative priority to be given to developing and developed countries' problems. It may also have served as an excuse for some members to vent pent-up grievances against a man who, not so long ago, had proclaimed himself the council's "humble servant" but has lately demonstrated his independence of thought and attitude.

The row over Bosnia-Hercegovina may to some extent have grown out of his experience at the Organisation of African Unity in Nigeria last month, where he was repeatedly questioned about the UN's alleged "marginalising" of Africa under his leadership. The criticism stung. Back in New York, Mr Boutros Ghali lectured council members for their preoccupation with what Africans regarded as a "war of the rich" in Europe.

Its victims appeared well fed, he observed, when compared to the harrowing scenes on television of starving women and children fighting over a spoonful of rice in shattered Somalia, whose sufferings he believes the UN has done far too little to relieve. Under his goading, the Security Council this week agreed on further measures.

But Mr Boutros Ghali's sharp comment have, in turn, upset leading western countries, who feel such distinctions should not be made by an organisation with a universal peace-keeping and humanitarian vocation.

A sophisticated, westernised Christian Arab, born in a palace, a millionaire married to a millionaire, Mr Boutros Ghali has spent a long career in international politics and diplomacy, and it shows. Ambassadors in New York resent his going over their heads with his ready access to their leaders, whom he does not hesitate to call with a problem to discuss. But such intimacy could be advantageous for the UN.

In his dealings with foreign diplomats and journalists in Cairo, Mr Boutros Ghali was considered a charmer. The UN has observed a less appealing side, of a man who can be abrupt and dismissive of diplomats and staff alike and who, some say, is over-confident in his own judgments.

But few fair-minded observers in New York doubt that as he develops in the post the organisation will be well served.

US economic growth slows in second quarter

By Jurek Martin in Washington

THE US economy expanded in the second quarter of this year by less than half the revised rate of the first, the Commerce Department said yesterday.

Gross domestic product rose at a real annual rate of 1.4 per cent, somewhat worse than expected and down from the revised 2.9 per cent increase of the first three months.

This potentially negative news for President George Bush's re-election effort was partly mitigated by other data published yesterday, showing a surge in new house sales in June and a reduction in unemployment claims during the middle week of this month.

Also, the Senate finance committee agreed on Wednesday night a $21.8bn (£11.4bn) tax bill containing some elements of the president's economic recovery plan, among them the creation of 25 urban enterprise zones, a 15 per cent tax allowance on new investment undertaken over the next year and a $2,500 tax credit for new home buyers.

However, the proposed bill made no reference to a general capital gains tax reduction that had been favoured by Mr Bush.

Campaigning in Texas yesterday, Mr Bush said that the economy was "not growing fast enough". Yet again he ascribed the blame to "dillying and dallying" in Congress, but he made no direct reference to the Senate committee's bill. The bipartisan opinion on Capitol Hill is that he would probably accept it.

The principal depressant in the preliminary GDP figures was consumer spending, down 0.3 per cent in the second quarter after a healthy rise of 5.1 per cent in the first. Business inventories rose by 20.7 per cent in April-June, compared with a 3.7 per cent advance in the first three months.

Exports of goods and services dropped by 3.8 per cent, against a rise of 2.9 per cent, while imports rose more sharply by 6.3 per cent, compared with 3.5 per cent.

Mr Nicholas Brady, the treasury secretary, said yesterday: "It is not unusual for economic recoveries to be sawtoothed, with some periods much higher than others." He stuck to the Blue Chip consensus forecast of leading economists which projects real 3 per cent growth in the second half of the year and insisted that exports "are the single greatest job-creating engine".

The administration's critics, however, speak not of sawteeth but of a "triple dip" recession. The slower growth in GDP offers Mr Bill Clinton's Democratic presidential campaign further ammunition.

The 7.9 per cent increase in new home sales in June, following four consecutive monthly declines, reflects lower mortgage rates.

With the Federal Reserve discount rate cut to 3 per cent on July 2, further increases are expected, though most of the renewed interest in new loans so far has come from homeowners wanting to refinance existing mortgages.

US space station kept alive by House

By George Graham in Washington

THE US House of Representatives has voted to keep alive the $40bn American space station project, despite criticism both of its cost and of its scientific utility.

Although opponents of the costly project had hoped their cause would profit from a new eagerness to tackle extravagant government spending, the House voted 237:181 (almost exactly the same margin as a year ago) against cancelling the station.

"In difficult economic times, the Congress stood up and did what's right for the future," said Mr Daniel Goldin, administrator of the National Aeronautics and Space Administration (Nasa), who has led ferocious lobbying to preserve the space station.

But Congressman David Obey charged that many in Congress had been swayed by Nasa contracts in their districts. "Nasa has successfully salted enough contracts all around the country. That's how they think they can continue to save this programme," he said.

Nasa says the space station already provides more than 75,000 jobs in 37 states. Of the 34 states which have received more than $1m in such contracts, House delegations from all but five voted on Wednesday night in favour of continuing the station's funding.

Even so, the House voted only $1.7bn for the space station in the 1993 fiscal year – $500m less than the Bush administration had requested. A Senate committee yesterday voted $2.1bn for the project, which would probably fall behind its aim for launch in 1995 if it received only the $1.7bn agreed by the House.

"The story is: 'Look up, America. Don't look around'," Congressman Bob Traxler, another leading opponent, intoned with irony. "Forget what you see in your cities, the rural areas. Forget the poverty, the privation. See that glimmer up in the sky? It's got eight people up there. Isn't that wonderful?"

A leader beleaguered

Christina Lamb analyses the political bribery scandal in Brazil

UNTIL recently, visitors to Brasília with $10 and a few hours to kill could amuse themselves with something called a Corruptour – a guided tour of the capital's most notorious dens of corruption. High on the list were the presidential palace and the president's house, Congress and the ministries of labour and health, former incumbents of both of which are both under police investigation.

The tourist authority, shocked by the image the tours gave of the country, banned them – but it is far harder to try to halt the torrent of corruption allegations filling the pages of the Brazilian press and threatening to unseat President Fernando Collor, whose position now looks less and less tenable.

Every day, new characters and new accusations emerge in the farcical saga which has emerged since May, when Mr Collor's younger brother first accused the charismatic young president of using his position to accumulate wealth. The resulting congressional inquiry into Mr Paulo Cesar Farias, friend and alleged front-man to Mr Collor, is drawing higher viewing figures for its televised daily hearings than the Olympic games.

Now in its 10th week, the inquiry has collected a mass of material that is alleged to incriminate Mr Farias and Mr Collor, including 40,000 cheques and bank statements locked in a safe. These, it is claimed, show that Mr Farias had been running a multi-million dollar extortion racket and using the money to pay the president's expenses.

They also show that Mr Farias has been meeting the maintenance payments for the children of Mr Collor's ex-wife, and funding the expensive clothing tastes of his current wife, despite Mr Collor's insistence that he has had no contact with Mr Farias since becoming president two years ago and that the deposits were in fact made by Mr Claudio Vieira, his former private secretary, out of a $5m loan raised in Uruguay in 1989.

The latest nail in Mr Collor's coffin was hammered on Wednesday when the secretary of a São Paulo businessman said that she had typed documents, purported to be to do with the Uruguay loan, only last week. She said she had been driven to reveal "Operation Uruguay" after being sickened by watching its instigators toast its success with champagne.

Mr Collor was elected on an anti-corruption platform; few people now believe in his innocence. Mr Luis Bresser Pereira, minister of works in the last government, wrote in an article yesterday: "The consensus of society is already formed – now all that remains is the consensus of the politicians, and we'll have the resignation or impeachment of Collor."

Yet Mr Collor grimly refuses to resign, bolstered by the presence in his government of Mr Marcilio Marques Moreira, the much respected economy minister. So far, the president has faced no real protests in the streets; Brazilians seem to believe all politicians are corrupt anyway.

Indeed, Mr Collor has gone on the offensive. Claiming that the campaign is a "conspiracy by coup-makers" and opponents of his economic reforms, he has formed a heavy squad, led by the president of the state-owned Banco do Brasil and threatening income tax investigations of Vice-President Itamar Franco (who would become president if Mr Collor were ousted), leading congressmen and presidential aspirants.

Mr Collor hopes the whole episode will be swept under the carpet, in traditional Brazilian style, because of fears of where further inquiries might lead and the destabilisation that a lengthy impeachment process might cause.

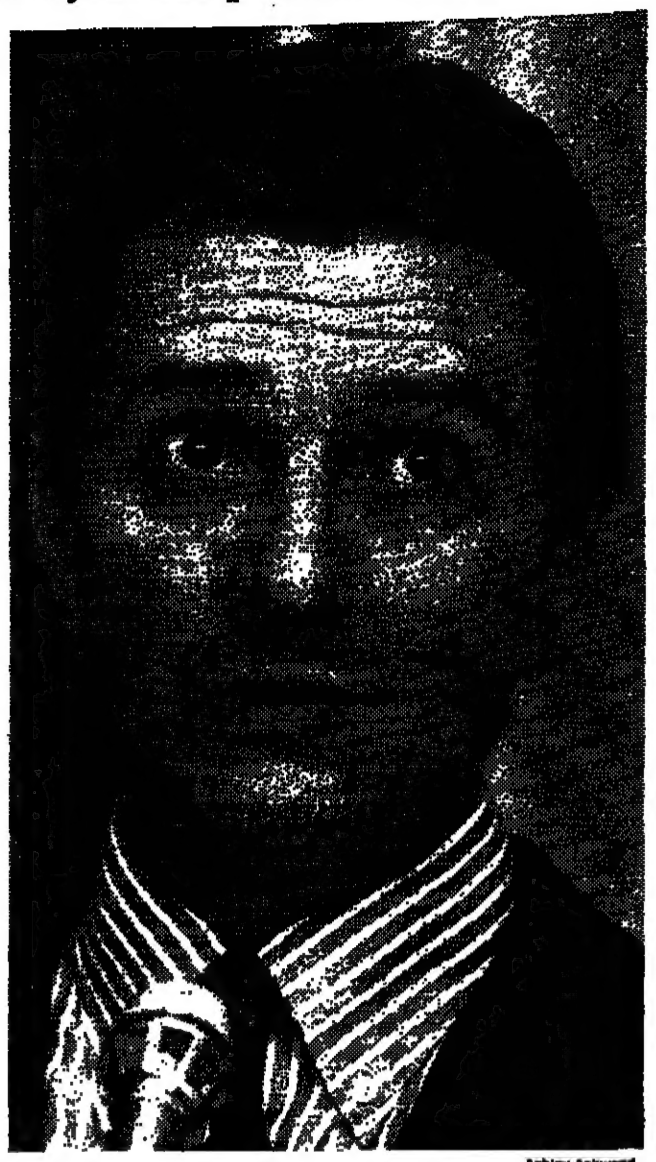
But Brazil's main opposition parties have already decided to call for impeachment of the president after the inquiry concludes on August 11. Meanwhile, leading politicians are expressing their support for Mr Franco, and discussing the formation of a "government of national unity" which would take office until a referendum next April on Brazil's future political system.

There is much confusion over impeachment. The relevant part of the 1988 constitution has yet to be ratified. Specialists say impeachment would require two-thirds support in both the House of Representatives and the Senate.

The Collor government is trying, through judicious spending of public money, to muster the 168 votes he would require to survive in Congress. His party holds only 23 seats out of 503 in Congress and, even with supporting parties, the government bloc totals only 123.

Through it all, inflation stays above 20 per cent a month and much-needed fiscal reform remains delayed. Yet the political crisis has had some positive results. The inquiry has highlighted the hypocrisy of the law forbidding politicians to accept campaign contributions from business. Candidates in general rely heavily on donations from construction companies which stand to gain from future government contracts.

Even more important – constitutional processes are functioning, despite Brazil's past of military rule, and the men in khaki are showing no desire to step back into office. "We're showing the world that Brazil is a strong democracy," says Mr Genebaldo Correia, congressional leader of the main opposition party.



Ashley Ashwood

WIDE-EYED PRESIDENT: Impeachment looms for Collor

Textile and car strikes hit Mexico

By Damian Fraser in Mexico City

MEXICO is facing its most serious industrial trouble for more than a year, with some 16,000 workers at the Volkswagen car plant and 22,000 textile workers on strike.

The strike has been costing Volkswagen, the leading carmaker for the Mexican market, about $5m a day. Workers walked out on July 21 after discovering union leaders had secretly agreed to accept Japanese-style working methods in the factory.

The strike by cotton textile workers is over pay and working conditions. Their union called the strike on July 9, after employers' representatives had refused to offer more than a 10 per cent wage increase, and wanted to eliminate a rigid system of work shifts.

Sharp rise in income for World Bank

By Patrick Harverson in New York

THE WORLD Bank yesterday reported a 37 per cent increase in net income to $1.65bn for the year to June 30, despite charging member countries a lower borrowing rate.

The bank said its variable lending rate last year fell by 13 basis points to 7.60 per cent, thanks to a more favourable worldwide interest rate environment and the bank's own strong financial performance.

The bank also instituted a lending rate waiver policy, which effectively cut the spread between what it pays on borrowings and what it charges on loans, from 50 basis points to 25 basis points, for member countries with good repayment records.

A similar, larger waiver has been approved for this year, which will reduce the cost of loans from 50 basis points to just 15 basis points for those countries which meet their payments within 30 days of schedule, said the bank.

Bank profits rose last year because more members met their repayment obligations on schedule (partly encouraged by linking eligibility for the waiver to repayments) and because three countries – Nicaragua, Panama and Sierra Leone – cleared their arrears from previous years. The payment of arrears contributed $220m to the bank's income.

George Graham adds from Washington: World Bank officials also said they planned to launch a global bond, denominated in D-Marks, this year as part of the bank's $13.5bn borrowing programme.

Mr Kenneth Lay, financial operations director, said he hoped to bring a D-Mark bond to the market about the middle of the bank's financial year, which began this month.

BUSINESSES FOR SALE CONTINUE ON THE FOLLOWING PAGE

NEWS: WORLD TRADE

Japan, US end SII talks with cartels pledge

By Robert Thomson in Tokyo

THE US and Japan ended talks on structural impediments to trade yesterday with an argument over how much the average Japanese home should cost, and a promise by Tokyo to study the business habits of Japan's biggest trading houses.

After the two-day meeting, US negotiators, under orders from Washington, were determined to portray the Structural Impediments Initiative (SII) agreement as successful in treating the underlying causes of Japan's consistently large trade surplus, likely to top $100bn (£52.3bn) this year.

Praising the SII agreement, signed in 1990, was partly an attempt by US negotiators to defend the Bush administration's Japan policy, under attack in Congress for having been too soft if only because Japan's trade surplus has risen over the past two years.

But Tokyo made several new pledges, including introduction of training for anti-monopoly officers in the detection of bid-rigging, common in the building industry. Tokyo will study the "trade associations" routinely established by Japanese industry, sometimes used as a front for cartels.

Japan will "encourage transparency" in private procurement, "consider" improved rights for shareholders, and reduce import processing times. But Tokyo did not promise, as the US asked, to include a target price for the average Japanese home, raised by the US as part of its campaign for changes in land use.

The most awkward discussions concerned differing corporate cultures. Washington sees Japanese corporate families, *keiretsu*, as exclusionary; Tokyo argues these groups' cross-shareholdings are conducive to long-term stability and profitability.

Mr Olin Wethington, assistant US treasury secretary, said *keiretsu* were "among the most complicated subject areas in this exercise", and Japan must act to improve disclosure of cross-shareholdings, allow proxy voting and outside directors, and improve access to corporate records.

Japanese negotiators were disappointed the US had not done more to cut its budget deficit and there has been a general lack of new SII-related policies. US negotiators insisted President Bush was committed to cutting the deficit and said the US Congress had been the biggest problem.

Apart from the deficit, the US pledged in principle to promote private saving, improve US worker training, and encourage US companies to cultivate a longer-term business perspective. In assessing results of the review, Mr Tadao Chino, vice-minister of international affairs at Japan's Finance Ministry, compared SII to a lemon: "When you squeeze it first, the juice comes out quickly. It's harder the second or third try."

Turkish credits deal agreed

TURKEY's Export Import Bank yesterday agreed credits worth $275m (£144m) with Kazakhstan and Kyrgyzstan, when other countries' credit agencies are unwilling to extend export cover, while the former Soviet Union's debt picture remains unclear, John Murray Brown reports from Ankara.

The credits form part of a $1bn financial package promised by Mr Suleyman Demirel, Turkey's prime minister, in April, and underline Turkey's aim to win business in these republics.

The deal provides Turkish exporters with 100 per cent trade insurance cover, $200m for Kazakhstan and the rest for Kyrgyzstan. A list of export items has still to be agreed. The accord follows a $1.7bn power plant deal in Kazakhstan earlier this month.

Agreement near on Nafta dispute mechanisms

US, Canadian and Mexican negotiators working on a North American Free Trade Agreement (Nafta) are near an agreement on setting up dispute-settlement procedures, governed by a Commission and permanent secretariat, and empowered to authorise sanctions within 30 days of a finding, Nancy Dunne reports from Washington.

Under a partial Nafta text draft obtained by the Financial Times, disputes between the countries may be brought to Gatt or a forum under the US-Canada Free Trade Agreement. Once the complaint process begins under one forum, it cannot switch to others. The forum worries US citizen and environmental groups; they fear US food and safety standards can be deemed trade barriers if taken to Gatt. Despite pledges that US standards, federal and state, will be safe from attack on trade grounds in Nafta, they are unconvinced.

The Commission is given authority to implement Nafta, set up committees, working and expert groups, and supervise committees. It has strict deadlines by which to operate, most stringent concerning perishable commodities. The Commission's main members will be the three governments' trade ministers, meeting at least once a year to review the commission's work.

The three governments will choose 30 panellists, serving three-year terms, to rule on disputes, and expert in law, international trade, and dispute resolution, chosen for objectivity, reliability and sound judgment. Complaints can go to a five-member arbitration panel, which may seek information and technical advice, but with no requirement to do so. This will annoy environmentalists wanting a stronger voice in such matters and more open proceedings than allowed for in Gatt.

"The unacceptable secrecy and lack of a role for non-governmental groups is maintained, but the text places some initial burden of proof on the challenging party," said Ms Lori Wallach, trade programme director at Public Citizen. "This could have been an improvement over Gatt. Unfortunately, it is meaningless; any party may take any dispute to Gatt instead of using Nafta dispute resolution."

Canada-US beer war gets green tinge

Nancy Dunne and Bernard Simon on environmental issues creeping into an old dispute

A TIT-FOR-TAT row over US exports of beer to Canada has underlined the extent to which environmental issues are finding their way into international trade disputes.

Washington last Friday imposed a 50 per cent *ad valorem* tax (proportionate to price) on beer from Ontario in retaliation for what it said was a discriminatory "environmental tax" levied by the Canadian province on all alcoholic drinks in non-refillable containers.

The tax, as it applies to aluminium cans, was doubled last April to 10 cents per can, boosting the retail price of American beer sold in Ontario's Liquor Control Board stores from US$19.83 to US$24.35 per case, according to the US trade representative.

The US is also upset over a handling fee imposed on imported beer, which unlike domestic brands, is distributed through liquor outlets owned by the provincial government.

In response to the US action against Ontario, Canada has slapped new customs duties on Heileman and Stroh, the two US companies which first brought the complaints. Other brewers are not affected by this tariff.

The US Aluminum Association and Can Manufacturers Institute claim that it was "no coincidence" that the environmental tax was announced five days after the US and Canada reached a tentative agreement to resolve other issues in the long-running beer war.

The US groups have no doubt that the tax was purely a protectionist weapon wielded against American beer. Why else, they say, would Ontario tax only non-refillable alcohol containers, leaving softdrink cans untouched by the levy? About 85 per cent of Canada's beer is sold in refillable bottles; most American beer is shipped in aluminium cans.

"This was the ultimate roadblock, erected to ensure that there was no way to resolve this dispute," says Mr Barry Meyer, vice-president of the Aluminum Association.

Ontario counters that the "green tax" also applies to wine and spirits bottles (which are also classified as non-refillable). According to an official in the provincial ministry of consumer and commercial relations, softdrinks are exempt because they are not distributed through government-run outlets, and because softdrink manufacturers already participate in a "blue box" recycling programme. "Softdrinks are a more difficult sector to deal with in a similar way," said the official.

Ontario insists that US brewers are welcome to ship their product without paying the tax if they use "environmentally friendly" bottles. At least one New York brewer, Genesee, is planning to do just that.

Much of the argument hinges on which is the most environmentally virtuous: cans or bottles. The Canadians opt for the latter because they can be re-used an average of 15-18 times. Ontario maintains that refillable containers are environmentally more desirable than recyclable ones, such as aluminium cans.

But the Americans find bottles too expensive to ship, and favour cans as "the most recycled packaging material in the world". They note that 88 per cent of Ontario's aluminum beer cans are already recycled – one of the highest rates in the world.

The Aluminum Association adds that recycling cans and washing, transporting and refilling bottles consume about the same amount of energy at high recycling rates. But recycling saves 95 per cent of the energy required to make aluminium from virgin materials.

Then there is the bottle caps controversy. The Americans say that because glass is bulkier than aluminum and few caps are recycled, refillable bottles actually produce more solid waste than cans. If all cans were replaced by bottles in Ontario, thousands more tonnes of solid waste would have to be landfilled.

With the North American Free Trade Agreement near completion, the US is hoping to contain the damage by limiting the beer sanctions to Ontario. The two leading Canadian brewers, Molson and John Labatt, have built up large stockpiles in the US in anticipation of the new duty, and hope to keep on shipping across the border from plants in Montreal and Vancouver. But US trade officials warn that they will monitor beer imports from other Canadian provinces. If imports surge beyond historical trade levels, the 50 per cent duty will be extended to the offending province.

The Canadians have most to lose in the long run. Their beer holds about 1 per cent of the US market, equal to about 10 per cent of Canadian beer output. Molson is the second biggest supplier of imported beers in the US. US brewers have a 3 per cent share of the Canadian market, but that is less than 1 per cent of their sales.

Since 1988, two panels of the General Agreement on Tariffs and Trade (Gatt) have ruled that Canada's provinces discriminate against imported beer. But Ms Marilyn Churley, Ontario's minister of consumer and commercial relations, is accusing the US of acting like "an international trade outlaw" by turning down a Canadian proposal to bring the dispute to another Gatt panel for binding arbitration.

The Canadians say the Gatt council refused a US request to retaliate against Canada; they do not mention that it was Canada which blocked the council's action. After winning two panel decisions, the US obviously has had enough of Gatt.

Under US trade laws, the trade representative was required to impose some sort of sanctions last Friday. A Gatt with the authority to sanctify environmentally related duties and distinguish which environmental rules are truly trade barriers may have been better equipped to make a ruling which both sides would have respected.

LEADING BEER IMPORTS IN ONTARIO

1.	Old Milwaukee Tallboy	(Stroh*)
2.	Old Milwaukee	(Stroh)
3.	Milwaukee's Best	(Miller)
4.	Lone Star	(Heileman)
5.	Old Milwaukee Light	(Stroh)
6.	Corona Extra	(Corona Mexico)
7.	Heineken Lager	(Heineken)
8.	Schlitz	(Stroh)
9.	Busch	(Anheuser-Busch)
10.	Meister Brau	(Miller)

Year ended March 31 1992 (Ranking based on litres sold)
*Brewer
Source: Liquor Control Board of Ontario

Protest at Czech steel 'dumping' in the EC

By Andrew Hill in Brussels

GERMANY and France have lodged a formal complaint with the European Commission about alleged "dumping" of Czechoslovak steel in the EC market.

Belgium has indicated it may protest, and other EC members may also complain.

National officials will discuss the main elements of the case with the Commission today, but will not take any formal decisions.

West European companies are worried that, in an attempt to earn hard currency, east European manufacturers are selling their products at unrealistic prices to the west.

Action against Czechoslovak manufacturers would be politically sensitive; Czechoslovakia, Hungary and Poland have signed a pact with the EC aimed at improving trade relations.

São Paulo fire order for UK

Simon Access, part of the UK's Simon Engineering, has won a $75m (£39m) contract to supply specialist machines and services to São Paulo Fire Service in Brazil, Andrew Baxter writes.

The deal is believed to be the largest single order awarded for high-level aerial fire-fighting equipment.

Simon will supply over 80 multi-purpose fire-fighting vehicles to supplement the large Simon fleet already in service in Brazil.

China N-power

China has started talks on selling nuclear power stations to Egypt, Iran and Bangladesh, the official China Daily said yesterday, Reuter reports from Beijing.

Officials of China's Qinshan Nuclear Power Co and Shanghai Nuclear Engineering Research and Design Institute said the three countries were now "exploring deals" to buy 300MW Chinese nuclear plants.

Company car drivers face tax increase

By John Griffiths

MORE THAN 200,000 UK executives driving well-equipped company cars face steep increases in their income tax bills under proposals announced by the Inland Revenue yesterday.

Initial estimates suggest that some drivers may face increases of up to 40 per cent in the tax they pay for the benefit of a company car.

UK tax authorities, however, claims that 1.2m out of a total of 1.9m company car drivers would be beneficiaries of a revised structure for company car taxation it sets out in a consultative document.

Their tax bills could fall by up to 25 per cent under the taxation review, foreshadowed by Mr Norman Lamont, chancellor of the exchequer, in his last budget. The Revenue is aiming to create a fairer company car taxation structure while encouraging businesses to use more fuel-efficient vehicles.

It is partly a response to persistent claims by business that the current system, based on a system of five price and engine size bands, discriminates against essential company car users in favour of low-mileage cars.

While the Revenue stressed yesterday that the proposals form only the basis of a consulation process with business users, car makers and other interested parties likely to last into November, the essentials of the proposals are likely to remain largely intact when the final scheme is announced by Mr Lamont in his Budget speech in the spring.

It is expected that the revised system will not be introduced before spring of 1994, to avoid creating further uncertainty in this year's already severely depressed UK new car market.

At the heart of the Revenue's proposed system are a dozen new bands, based wholly on price and stretching up to £60,000. Apart from engine capacity bands, the current system, described as outdated by the Revenue.has only two price thresholds, at £19,250 and £29,000, above which the assessed tax benefit to the user rises sharply.

Th Society of Motor Manufacturers and Traders said it welcomed the government's recognition of the company car as a business tool and its willingness to consult with then industry on the issue.

Mr Hans Tauscher, managing director of Mercedes-Benz (UK), which could be among those most adversely affected by the proposals, said he was "extremely disappointed" that the Revenue had come up with another banding scheme.

BA flights face strike threat by cabin crew

THOUSANDS of air travellers face possible disruption following the decision of British Airways cabin crew to begin a series of one-day strikes next week, writes Catherine Milton.

"We will definitely close down domestic, European and Concorde services, unless BA agrees to further talks over the new pay and conditions," said the TGWU general union, which represents 2,600 of the airline's 2,900 cabin crew.

BA admitted short-haul services would be disrupted if Tuesday's threatened strike attracted strong support.

Union officials expect all members to support the strike call. But BA said it was still planning to operate a normal schedule on Tuesday. The ballot for the action had produced only a 121 majority in favour of action, in a turnout of about 70 per cent, the company added.

"We are hopeful we will operate all our domestic and European services without inconvenience to passengers," said a BA spokesman.

The company claims to have no plans for further talks with the unions. Meanwhile, the carrier said it had agreed new pay and conditions with pilots and ground service staff.

BA's proposals mean pay cuts of up to £2,000 a year for about 500 crew working in Birmingham and Manchester out of roughly 3,000 short-haul crew across the UK.

Water shortage prompts government backing for meters

By Bronwen Maddox, Environment Correspondent

PROPOSALS for compulsory metering of household water won vigorous support yesterday from Mr Michael Howard, environment secretary, the first time a minister has given them formal backing.

He said that the estimated £3bn cost of installing household meters in England and Wales "would would be spread over many years".

Metering would probably lead to lower water bills than at present for small households, while large households would see their bills rise, according to the Department of the Environment's (DoE) consultation paper on the efficient use of water, published yesterday.

The DoE paper says there is an urgent need to curb growth in demand for water – now running at around 1 per cent a year – which has been intensified by four dry winters in the south east.

In England and Wales, households, which account for 54 per cent of water use, are the key to reducing demand, says the report. It notes that trials have shown that metering in households leads to a 13 per cent reduction in water use overall, and a 20 per cent cut at peak times.

Water companies have the power legislation to insist on fitting meters, provided such action does not discriminate between customers.

The DoE suggests that Ofwat, the regulatory authority, should be given new powers to approve the water companies' choice of charging method. Mr Ian Byatt, Ofwat director general, yesterday welcomed that suggestion, adding: "I am pleased to see that the paper supports the case for metering."

The report says measures to reduce demand should include a close look by industrial companies, which use a quarter of the country's water.

A quarter of the country's water is lost through leakage between the water mains and the customer, according to the DoE, and it wants water companies to investigate whether it would be financially worthwhile to detect and plug the holes in the pipes.

Mr Howard said there was an urgent need to cut demand for water because of the cost "both in environmental and financial terms" of developing new sources of water such as reservoirs. Water companies are already committed to spending £28bn by the end of the decade on improving the quality and volume of the water supply.

Sales are hoisted at yachting's finest week

Paul Cheeseright encounters pockets of Dunkirk spirit at recession-squeezed Cowes

Cowes Week will start tomorrow with a boom, a triumph of individual money over corporate indifference.

Just after 1000 hours the cannon at the swanky and exclusive Royal Yacht Squadron (secretary Major Robin – "I don't give interviews" – Rising) will fire to set off a week of 225 yacht races pitting skill against skill, bank balance against bank balance.

The sharp report of the cannon will not only echo over The Solent and send a tremor through the suburbia of Cowes where the calm of the retired bourgeoisie cloaks a reality of rising unemployment and a high illegitimacy rate.

It will also signal that tradition is alive and well: the sporting event which fills the gap in the calendar between Henley and Goodwood on the one hand and the grouse shooting of the Glorious Twelfth on the other is surviving the recession.

Britannia, the royal yacht, will be in attendance; the Royal Navy has navigated the constraints of the defence budget to provide an escort vessel. The Duke of Edinburgh will don his oilskins. Everybody is geared for a splendid time. No doubt everybody will have just that: it too is part of the tradition.

But Cowes Week is rather like a recession-ridden engineering company. The margins are under pressure.

Captain Dan Bradby, who organises the regatta for the combined yacht clubs of Cowes, expects 780 boats to enter this year. Last year there were 850. The total, he explained "is governed by the number of billets to secure the boats. We can cope with 900." So throughput has fallen by more than 8 per cent and Captain Bradby is operating 13 per cent under capacity.

Engineering chiefs, under present conditions, would be relieved with such figures. But to stay in the market, Cowes has reduced its entry fees this year – they range from £5 a day to £70 a race – by an average of 10 per cent.

The fees are tiny relative to the cost of a boat - the proverbial drop in the ocean. But "people were feeling the pinch," says Captain Bradby generously.

The costs of Cowes Week are nearing £150,000 and are rising, not least the price of the prizes. This is not Wimbledon-style prize money but the cost of buying handy gadgets such as a portable clothes locker.

With income declining, costs increasing and a slender assets base, Cowes Week cannot rely on the bank for extra capital. It is forced back on the sponsor, Land Rover.

The businesses which have sprung up around Cowes Week are less fortunate. The town has two marinas. That nearest the racing, West Cowes Marina, is in the hands of Grant Thornton, the receiver.

Locals and yachtsmen alike have seen the West Cowes Marina as rather shabby, but this year, after some investment by the receiver, think it is looking its best for years. But the marina, like the race organisation, has been forced to hold prices.

Manager John Whitehead, another former naval man, said that this week, inside the breakwater, there will be: "wall-to-wall boats, all of which have pre-booked and pre-paid." But what they will have paid is the same as in 1991 – a daily charge of £1.20 for each foot of boat length.

This is the sprat to catch the mackerel. The marina has to be seen to be working, to attract a buyer as a going concern. Over the next few days it will be a hive of activity, not least because more crews will be sleeping on their boats.

Such economy measures have their downside. Mr Tim Clogg, who owns Marvins, the estate agents, "founded in 1868, patronised by royalty", rents out houses for Cowes Week.

"Bookings are probably 30 per cent down, but last year was a record year for us." And that has pushed the prices down. "Last year they were between £20 and £25 a night. This year they are between £15 and £18," he said.

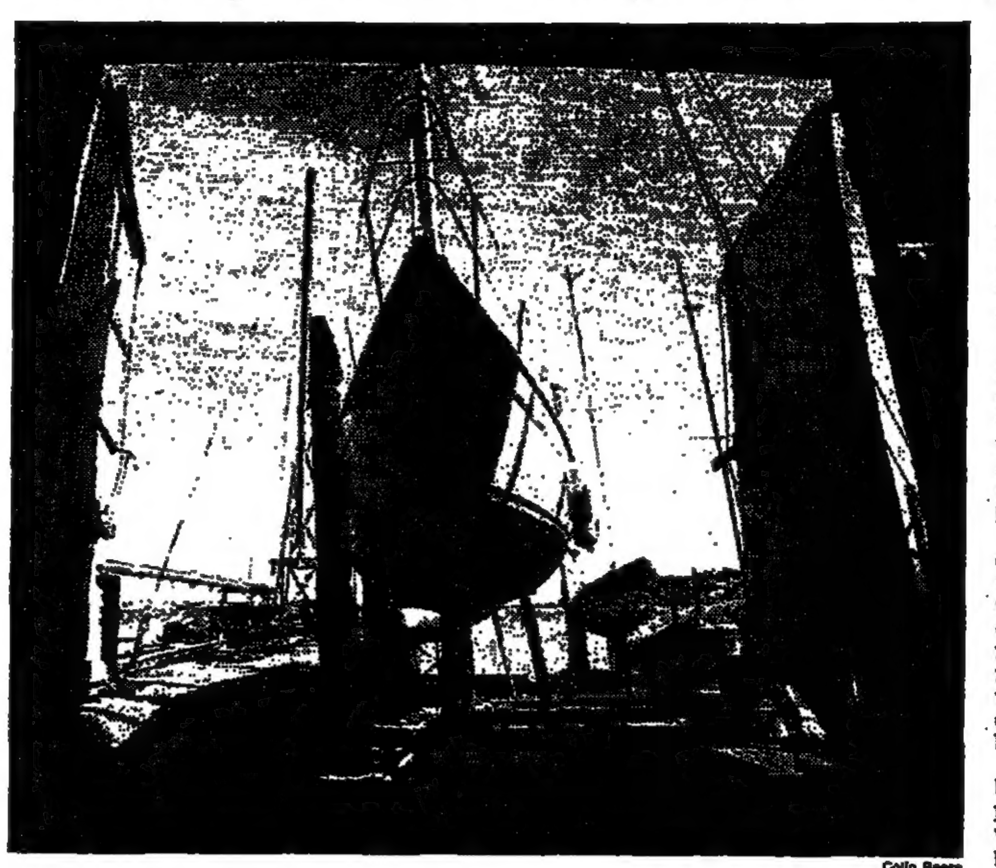
Cowes Week, it is true, has never been excessively popular with the corporate fat cats. This year it is even less so. At Wallace Clark, the yacht brokers, there is an offer for chartering Sea Lass, a motor yacht: down to £600 a day from £800.

"The better yachts get the charters. The ones not doing so well are those where the owner says 'we've got a boat, let's charter it'," observed Mr Rodney Barton, the Wallace Clark managing director. By contrast, his boat sales have been doing very well since just before the general election.

So there is a dichotomy between what individuals are prepared to do to get on the water and what companies are prepared to spend as a means of cashing in on the popularity of water sports.

For the traditionalist, tapping in to the memory of 170 years of regattas, this is not a cause for concern. Rather it provides an opportunity to evoke the Corinthian spirit.

"Okay, the traders will go and make their money, and that's fine. But as far as the regatta is concerned, it's the fact you've got 700 plus boats - and they're not top racers: they come together for an event where it's not just the good racing but the atmosphere of Cowes Week," said Captain Tony Pearson, secretary of the Island Sailing Club, which is not as posh as the Royal Yacht Squadron.



Colin Beere

Out of water: regatta costs are rising as demand for yacht charters and accommodation declines

French and Belgian police probe travel fraud

By Tim Lawrence

THREE Frenchmen who masqueraded as travel agents in the UK and advertised in Belgium and France have disappeared with payments estimated at more than £1m.

The men, who set up an office in north London three months ago and sold non-existent airline tickets and holidays, left the premises last Friday, according to Mr Steve Nicholls, principal trading standards officer at Camden Council.

Belgian customers were the first to report the men's disappearance and Belgian police are investigating the matter. It later emerged that French customers had also booked flights and holidays through the office.

It is believed that the advertisements, bookings and payments were all made overseas. London police are not taking part in the investigation.

The men, two of whom are in their late 20s and one who is in his late 30s, advertised on the Continent in local newspapers and on radio as two separate companies, Branch & Co in Belgium and Notais & Co in France. Neither is a registered company.

The British consulate in Brussels has been contacted by six people who booked holidays with Branch & Co. One American man said he had booked a Boston holiday and paid a BFr50,000 deposit – just under £1,000. Belgian police have put a restraining order on a Belgian account, according to the consulate.

Mr Francois Fonck, who is leading the investigation from the Police Judicaire in Belgium, said it was believed than the men had used false names.

Britain in brief

High court backs SFO on Nadir

The Serious Fraud Office (SFO) has surmounted the first legal hurdle in its attempt to have 46 charges reinstated against Mr Asil Nadir, former chairman of Polly Peck International, which have been thrown out by the trial judge.

The High Court in London has rejected Mr Nadir's claim that it had no jurisdiction to review Mr Justice Tucker's decision last month to dismiss the charges, which alleged the theft of £119m from Polly Peck.

Move by BCCI liquidators

Liquidators to the collapsed Bank of Credit and Commerce International will circulate a letter to creditors in the next two weeks on behalf of the Luxembourg court laying out their recommendations for division of the bank's assets.

Mr Brian Smouha, of accountants Touche Ross, Mr Georges Baden and Mr Julien Roden, who were appointed joint liquidators to BCCI SA by the Luxembourg court, are expected to continue pressing for the liquidation package they first presented earlier this year which offers creditors up to $1.7bn.

Setback for Lloyd's Names

Canadian Names at Lloyd's of London are considering appealing to their supreme court after an attempt to sue the insurance market for alleged fraud was defeated earlier this week.

The Ontario Court of Appeal upheld a decision that the Names – the individuals whose assets support the insurance market – would have to bring their case in an English court.

More offshore oil licences

The government has launched the second stage of the 14th UK offshore oil licensing round – with the largest number of blocks available for some years.

Much of the acreage is on the margins of or outside the main areas. Mr Tim Eggar, energy minister, said companies had for the first time been given the opportunity to nominate the areas they would like to see offered and to apply for blocks in groups.

More than 170 blocks are available for standard licences in the northern, central and southern north sea, the Moray Firth, the English Channel, and the Irish Sea – expected to provoke interest following recent oil discoveries.

Air tour profits rise 160%

Pre-tax profits of Britain's top 30 air tour operators increased by 160 per cent to £104.8m last year, the Civil Aviation Authority said.

The increased profits were achieved on turnover of £2.74bn, only marginally up on the 1990 figure of £2.73bn. The increased profits of the top 30 companies followed the collapse last year of the International Leisure Group, then the second biggest operator. Its demise prevented price discounting.

New ITV chief confirmed

Mr Andrew Quinn, who was yesterday confirmed as ITV's first chief executive, and outlined a vision of a more commercial ITV system.

Mr Quinn, chief executive of Granada Television, who will be responsible for a budget of around £500m, said: "There is no doubt ITV will have to be more commercial in future. The Independent Television Commission recognises that."

Dixons, the consumer electronics group, is donating £1m to the London Business School to promote the study of business ethics. The funding will be used for create "major research" in business ethics. The aim, say LBS, is to create "a European flagship programme in the area". Mr Stanley Kalms, chairman of Dixons (above), said ethics training should be "a part of the process of skill development".

Editorial Comment, Page 12

Executive salaries fall

Executive salary rises have fallen from an average of 7 per cent in 1991 to 5 per cent this year, according to the PA Consulting Group's latest Survey of Executive Benefits 1992.

The survey, which covered senior management in 81 organisations, found huge variance of increases in the chief executive/managing director category – from 0 per cent to 50 per cent.

Remand man loses appeal

Mr Lorrain Osman, Britain's longest serving unconvicted prisoner, has failed in his latest attempt to block government moves to extradite him to Hong Kong where he is wanted for trial on multi-million-dollar fraud charges.

Mr Osman, 61, a banker who has been in prison six and a half years fighting extradition, is considering an appeal against the High Court ruling.

Clearance for joint venture

A joint venture between Gooding, the privately owned Welsh electronics group, and Sanken Electric, the Japanese manufacturer of switchgear and transformers, is to go ahead after being on hold for the past two years. Gooding Sanken, in which the Welsh company has a 51 per cent stake, is to build the £2.5m second phase of a development at Abercynon, north of Cardiff.

MANAGEMENT

Prepared for the worst

Paul Taylor looks at planning for a crisis

What happens when a briefcase containing company secrets goes missing, a blackmailer laces the company's top-selling food product with poison, or toxic factory waste escapes threatening an environmental disaster?

For most companies a crisis like this will never happen. But when *disaster strikes, the consequences* can be so dire, that managers are starting to lay contingency plans, just in case.

Crisis Planning has only recently emerged as a management issue, in response to the headline-grabbing disasters in the past decade. Among those judged to have been well handled were the lacing of Johnson and Johnson's *Tylenol capsules* with cyanide in the US, and the British Midland air disaster at Kegworth in Leicestershire.

In contrast, the Bhopal toxic gas disaster involving a Union Carbide plant in India, and the King's Cross underground fire are often cited as examples of poor crisis planning and management.

Few businesses are immune from crisis, but research suggests even fewer have a strategy for dealing with disasters. A recent survey conducted by Alexander Stenhouse, the insurance brokers and risk management experts, *found that only one* in four UK companies had a strategy for dealing with a product-tam*pering crisis* and *only one in three* had developed a plan for minimising the risk resulting from an environmental crisis.

There is an understandable reluctance to confront an issue which may never happen. However, there is evidence that the worst time to learn how to manage a crisis is during a crisis itself.

For this reason a number of consultants have begun to sell crisis management services. One such, dubbed Total Crisis Management (TCM), is offered by a group of four firms comprising Alexander Stenhouse, the London law firm, Denton Hall Burgin & Warren, Ogilvy Adams & Rinehart, the public relations consultants, and Touche Ross, the management consultants.

The four firms promise a full crisis planning and management service, which begins with an internal risk review and includes a 24-hour crisis telephone hot line.

The TCM group says a simple problem can become a *crisis* if the company is unprepared.

Although the TCM partners acknowledge a crisis cannot always be avoided, they insist the best way to survive is to plan ahead. But they also caution against rigid *responses. "Simply having a crisis* manual may be worse than useless," the experts say. "No-one will have read it. The crisis you are handling won't be in it and you won't have time to wade through it when instant decisions are needed."

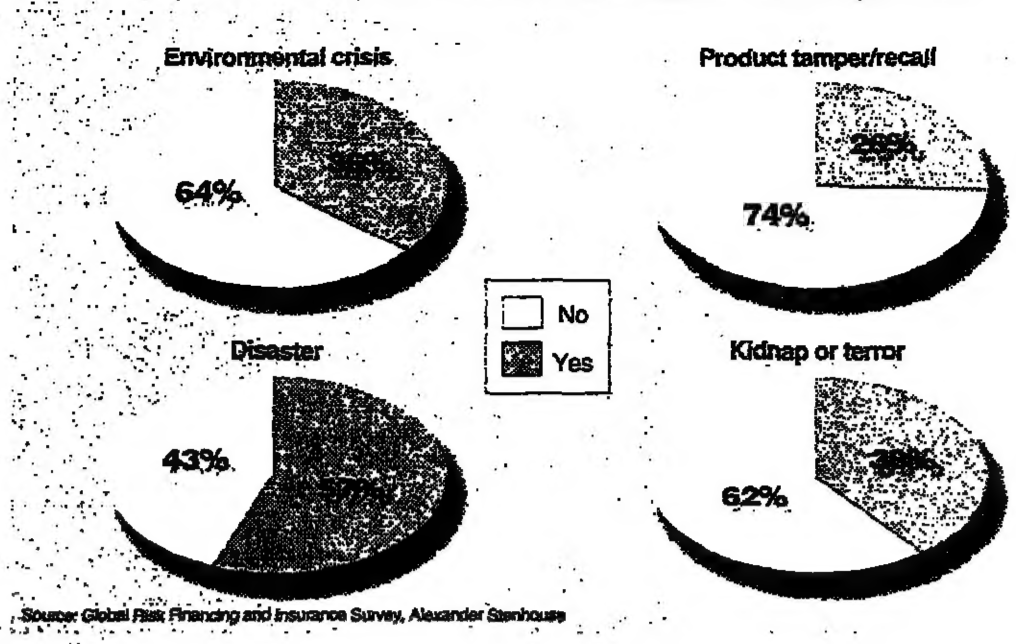
So how can you prepare for a crisis? The first step is to bring together the expertise – internally or from outside – to define possible crises and to explore the risks. Then planning, communications and training packages can be put in *place as "insurance" for the future.* There are three main stages:

- **Crisis preparation:** Undertake an audit of the relevant risks, including environmental dangers, legal and security threats, and political or other external pressures. Then review risk control policies and prepare a crisis manual as a basis for training and simulation exercises. It should describe the authority, the aim and the staffing of a crisis management team. It should contain rel*evant telephone numbers of experts,* and make clear who is supposed to be doing what.
- **Crisis handling:** The team must be assembled, and the situation assessed coolly and professionally. Communication is the most important item. Companies must be ready to give and to receive information from a wide variety of sources.

A recent study by Alexander & Associates, management consultants, shows that most companies communicate poorly with their regulatory bodies, concentrate on the shareholder at the expense of the *customer, and have feeble systems* for internal communication. Companies should ensure all the media's questions are answered and should liaise with investigatory bodies to protect and minimise exposure to criminal or civil liabilities.

- **Crisis after-care:** When the dust settles, do not relax and lose the initiative. There will be many lessons to learn and opportunities to take after a crisis. The review should begin as soon as the crisis is over. Staff should be reassured that the point of the review is not to find culprits, but to improve the working of the plan.

Do companies have a risk control strategy for dealing with...



Source: Global Risk Financing and Insurance Survey, Alexander Stenhouse

A made-to-measure disaster

Fortunately, crises seldom happen. That means a company which has a disaster plan will generally have no way of knowing how well it works.

*Now, however, thanks to soft*ware wizardry, it is possible for management to prepare for a real *corporate crisis or public disaster* by using a disaster simulator that can be plugged into an ordinary £1,000 desktop computer.

The software, called CriSys, designed and developed by St Albans-based Psychometric Research & Development (PRD), generates a different customised imaginary disaster each time it is run – complete with still video pictures, "live" news broadcasts, hostile press questions and telephone reports from local company representatives.

For example, in one simulation *for the chemical industry* a train loaded with vinyl chloride catches fire and then explodes in a railway tunnel killing and injuring a number of passengers and leading to the evacuation of 13,000 residents.

The task for any corporate crisis management team is to handle the aftermath, rather than the disaster itself (which is usually managed by the emergency services), including, for example, deciding when to issue statements or to hold a press conference.

Frequently, managements fail to recognise a developing crisis, and are slow to react. Significantly, most studies also show that it is *the management of the aftermath,* rather than the disaster itself, that determines the shape in which a company emerges from a crisis. For example, it is essential to ensure that, in spite of a disaster, the supply of products to customers is maintained.

CriSys was initially developed for, and in conjunction with, European Vinyls Corporation, Europe's largest bulk vinyls producer, where it has been successfully used to train senior personnel in corporate crisis management. The system is meant to provide *"hands-on" crisis management* experience.

One lesson to emerge from EVC's training sessions was that more secretarial services were needed. They had also forgotten to arrange sandwiches at meal-times.

Another painful lesson learned by one of EVC's crisis management teams was not to call a press conference until the company is able to answer questions adequately.

What makes CriSys different from paper-based crisis management exercises is that because every disaster is different, it is reusable, and the special effects *incorporated into the software,* such as simulated TV news coverage and telexes, make it "real."

One EVC team even got angry about "editorial inaccuracies" in the reports of an incident, said John Davies, acquisitions and corporate project manager for EVC.

The software will accept input from the crisis management team, for example a press release, and incorporate the contents in subsequent news coverage.

Its developers plan to extend the software to other industries. Potential users include those *involved in the production or* transportation of hazardous goods, transport organisations, utilities such as electricity and gas supply companies, event organisers and the emergency services.

Paul Taylor

Crisis Management Associates, 0727 44499.

Diane Summers examines types who strike out on their own

Temperaments for independence

By Friday each week a sizeable chunk of the employed population feels tempted to tell the boss to take a running jump – self-employment seems like the only sane option. By Monday morning, as feelings of insecurity take hold, most wage slaves' ardour for independence will have cooled.

A handful of individuals, however, *will join those forced out of* their jobs by the recession and set up in business on their own.

The success or failure of those businesses – only 40 per cent of start-ups are still around after five years – will depend in part on the temperaments of their proprietors.

According to Annabel Broome, a psychologist who has been carrying out *research for BT, the budding* entrepreneur needs to scrutinise his or her motivation very closely.

"You have to take a good look at yourself and ask yourself what you really want. If you can get these questions right you lessen the likelihood of failure and disillusionment," she says.

Broome's research has led her to identify four main business types:

- **The solo flyer:** This type does not like having a boss or anyone *else's hand on the tiller – sets a* business course and steers it in a determined way. Resisting outside influences requires minimising risks. Interest in a particular subject may have sparked the decision to go it alone. Goal may be a quiet sense of achievement rather than glorious success.
- **The family-oriented type:** May have a long family tradition behind his or her enterprise, or may come from an ethnic group which places great importance on *family* cohesion. Family may be the most important resource, providing *finance, labour and advice. Motiva*tion will come from wanting to improve family wealth and perhaps carve a niche in the local community.
- **The stalker** is always calculating a few moves ahead, like a chess player. When the time is right the stalker might risk a pawn or two. Stalkers are thinkers and planners. Motivated by the thought of success, there is nothing flamboyant about their approach. Quiet confidence is born of professionalism.
- **Tycoons** want to get rich and be famous. They are bursting with energy, confidence and ideas. If risks they take do not produce cash they will generate publicity. Tycoons love working with others so long as they realise who is boss. They are hard drivers and do not mind treading on a few toes.

Why, one may wonder, is BT so interested in employing the services of a psychologist to help them establish the characteristics of these business types? The answer, of course, is so they can target sales of their telecom gadgets.

Solo flyer: does not want anyone else's hand on the tiller

It will come as no surprise to find, for example, that the Solo Flyer would be well advised, according to BT, to purchase answering machines, pagers, mobile telephones, call diversion, faxes "and other devices which give you maximum independence but keep you in touch".

The Tycoon, on the other hand, could quite legitimately splash out on the latest technology such as a video-phone or colour fax because "creating an impression will be the key to your business aims".

And the timing of the publication of its research is particularly appropriate. BT announced on Wednesday a sharp increase in its voluntary redundancy programme this year – today is the Friday 19,000 of BT's own staff walk out of the door never to return to their old jobs.

Starting up in Business can be obtained by calling free on 0800 800 910.

FT LAW REPORTS

Solicitor's cheque defence is arguable

CLIFFORD CHANCE v SILVER
Court of Appeal
(Lord Justice Neill and Sir Christopher Slade):
July 22 1992

THE ENDORSEE of a cheque who acquires it in good faith for value by conditional delivery becomes the "holder in due course" on satisfaction of the condition, with a right to claim against the drawer for subsequent dishonour. But on a claim for summary judgment the drawer is entitled to defend if there is sufficient evidence for him to argue that the endorsee relinquished his rights under the cheque in return for payment of a smaller sum.

THE COURT of Appeal so held when allowing in part an appeal by Mr Geoffrey Silver from Mr Justice Garland's decision ordering summary judgment on a claim against him by the plaintiffs, Clifford Chance.

LORD JUSTICE Neill said that in December 1990 a series of property transactions were contemplated, relating to freehold property in Lambeth.

The transactions included: (a) sale of the property by Chartwell Land Investments Ltd, previously called Woolworth Properties Ltd, to Mr Don Abili; (b) lease of the property by Mr Abili to Woolworths plc; (c) subsequent sale of the property by Mr Abili to Camberside Ltd, a company controlled by Mr Abili, and a further sale by Camberside to Courtyard Leisure plc.

Clifford Chance acted as solicitors for Chartwell, Frederick Hass & Stone for Mr Abili, and Mr Silver for Camberside.

The deposit payable under the first agreement (the sale by Chartwell to Mr Abili) was £100,000. Under the second agreement (the sale by Mr Abili to Camberside), the deposit was originally £170,000 but was increased to £185,000.

On December 12 1990, Mr Silver sent Frederick Hass two cheques for £100,000 and £70,000, representing the deposit originally agreed under the second agreement.

On December 13, Frederick Hass replied, confirming that Mr Silver had given them permission to deliver the £100,000 cheque to Clifford Chance "on the basis that they will hold the cheque strictly to our order".

On receipt of the £100,000, Frederick Hass endorsed it *sans recours* and sent it with an accompanying letter requesting Clifford Chance to hold the deposit cheque "strictly to our order, returnable on demand until we are able to authorise you to effect an exchange".

Early in January 1991, the contracts for the sale by Mr Abili to Camberside were exchanged. On January 10, the contracts for the sale by Chartwell to Mr Abili were exchanged. The £100,000 deposit under the first agreement then became due.

On January 11, Clifford Chance presented the indorsed cheque for payment. On January 16 the cheque was dishonoured by Mr Silver's bank.

Following the dishonour discussions took place between Clifford Chance and Frederick Hass, and between Frederick Hass and Mr Silver.

As a result of the discussions between Frederick Hass and Mr Silver, a £50,000 banker's draft was sent by Mr Silver to Frederick Hass.

Clifford Chance, as endorsees of the cheque, claimed £100,000 against Mr Silver. Before Mr Justice Garland, Mr Silver raised four defences. The judge rejected them and gave judgment for Clifford Chance.

On the present appeal Mr Goldblatt for Mr Silver put forward fresh arguments, including a submission that Clifford Chance were never "holders in due course" of the cheque.

By section 29 (1) of the Bills of Exchange Act 1882, a "holder in due course" was a holder who had taken a bill, complete and regular on its face, under the conditions "(a) that he became the holder of it before it was overdue and without notice that it had been previously dishonoured ... (b)that he took the bill in good faith and for value, and ... had no notice of any defect in the title of the person who negotiated it".

Section 31 of the Act provided that a bill was negotiated "when it is transferred ... in such a manner as to constitute the transferee the holder of the bill"; and that a bill payable to order was negotiated "by the indorsement of the holder completed by delivery".

Mr Goldblatt submitted: (1) that the cheque was indorsed and delivered to Clifford Chance by a transfer of possession on December 13, and was negotiated to them on that date; (2) that on December 13 Clifford Chance were aware that Frederick Hass's title was defective, in that they held the cheque to Mr Silver's account, not their own – their title was merely conditional; (3) that being aware of the defect at time of negotiation, Clifford Chance were incapable of becoming holders in due course unless as a result of subsequent negotiation; (4) that even if transfer of possession and delivery did not take place until January 10, Clifford Chance could not satisfy section 29 (1)(b) because they never gave value for the cheque themselves.

The submissions were not accepted.

Section 21 of the 1882 Act provided that delivery of a bill of exchange "(2) (b) may be shown to have been conditional or for a special purpose only, and not for the purpose of transferring the property in the bill.

It was clear that delivery of a cheque could be shown to be conditional.

The delivery on December 13 was conditional and the contract between endorser and endorsee was incomplete.

On January 10 the contracts for sale of the property were exchanged, and the conditions stipulated in the letter from Mr Silver and the letter from Frederick Hass were fulfilled.

It was on that date that the cheque was negotiated to Clifford Chance.

They then became holders in due course.

Except where a bill was overdue, a *bona fide* holder for value without notice of any defect in the title of the person who negotiated the bill to him was a holder in due course.

Consideration was given for the cheque when contracts were exchanged on January 10.

Mr Goldblatt argued also that after the cheque was dishonoured Mr Abili, acting as Clifford Chance's agent, agreed with Mr Silver that in consideration of a £75,000 payment by Mr Silver (of which the earlier £50,000 payment was to form part), Clifford Chance would release him from any liability under the cheque.

The argument was based on Mr Silver's affidavit that Mr Abili had told him Chartwell and Woolworth would forgo their rights under the cheque if he could pay £75,000. Mr Silver said it was clear to him that the offer was intended to bind Clifford Chance.

The judge dismissed a similar argument. He rightly said it was inconceivable that Clifford Chance would appoint a purchaser who was already in difficulty as their agent to strike a bargain waiving rights under the cheque.

Mr Goldblatt also argued that even if Clifford Chance became holders in due course of the cheque, Frederick Hass were authorised by them after the cheque was dishonoured to negotiate on their behalf with Mr Silver; and as a result of those negotiations, Mr Silver sent Frederick Hass the £50,000 banker's draft which was paid and accepted in part payment of the cheque.

In support of that argument counsel drew attention to a number of documents, including Clifford Chance attendance notes and a Frederick Hass letter.

It was submitted that those documents indicated that following the dishonour, Clifford Chance authorised Frederick Hass to discuss the position with Mr Silver on their behalf to see whether the deposit could be raised before they enforced their rights under the cheque.

Clifford Chance argued that other documents which showed they never relinquished any of their rights under the cheque.

On this part of the case Mr Silver had an arguable defence.

The appeal was allowed in part by giving unconditional leave to defend as to £50,000 and interest.

Sir Christopher Slade gave a concurring judgment.

For Mr Silver: Simon Goldblatt QC and Robert Jay (Fuglers)
For Clifford Chance: John McGhee (Clifford Chance)

Rachel Davies
Barrister

PEOPLE

Exiting at an exciting time

Norman Askew, president and managing director of TI Aerospace and Titeflex International, is the new managing director of East Midlands Electricity in succession to Dan Cowe, who is retiring.

As the number two to chairman John Harris, Askew, 49, says it was too good an opportunity to pass up, despite the fact that he was leaving TI "at a very exciting time for the business", following the acquisition of Dowty.

He had been at TI for 26 years.

The fit with East Midlands he describes as simply a common philosophy – "excellence in customer service". Asked whether customers' most immediate preferences might not be for lower prices, he says that he does not believe companies should have to apologise for making money.

East Midlands Electricity has just reported a 41 per cent increase in pre-tax profits for the year to March 31 1992. He adds that continuing improvements in distribution efficiency can lead to lower prices "in the longer term".

He is also looking forward to continuing "a fairly ambitious programme" for expansion of the non-regulated businesses such as energy services, control systems and electrical and mechanical contracting.

Cowe, a light rapid transit systems and model railway enthusiast, is retiring at 60 at the end of September.

■ **Wilson Berry**, general manager, manufacturing and marketing of TEXACO's Europe division, based in New York, is appointed md, manufacturing and marketing of Texaco Ltd, based in London. **Robert Solberg**, md, exploration and production based in London, is appointed vice-president of Texaco Inc and deputy chairman of Texaco Ltd. **Donald Bennett**, general manager, asset development for Texaco Ltd, is appointed md, exploration and production. **Glenn Tilton**, a vice-president of Texaco Inc and chairman of Texaco Ltd, has been appointed president of Texaco Europe. **Bill Tierney**, md, manufacturing and marketing for Texaco Ltd, has been appointed regional director, Texaco Europe, Mediterranean.

More power to Galvin's elbow

Board moves at Waterford Crystal, the loss-making arm of Waterford Wedgwood, appear to be aimed at strengthening the position of Paddy Galvin, the chief executive, in implementing forthcoming rationalisations at the crystal glass plant in southern Ireland.

Galvin will now also assume the chairmanship of the division, replacing Gerry Dempsey, who will, however, continue in his role as special adviser on group strategic affairs to the group chairman, Donald Brennan.

Brian Patterson has been appointed to a new position of chief operating officer at Waterford Crystal. He was previously deputy chief executive, responsible for personnel.

The two, who had formerly worked in Guinness Ireland together, are credited by analysts as having won back the initiative for management at Waterford Crystal against tough union opposition. They will be pushing through the new rationalisation measures this autumn which are expected to involve 500 more redundancies.

Patterson, who sits on the Waterford board, will be nominated to the group board of directors at its September meeting.

Pillard adds grist to the mill

Larry Pillard, a senior executive at Cargill Corn Milling, has jumped ship to a major competitor, Tate & Lyle's US starch and sweetener subsidiary Staley, as the new president and chief executive officer.

He replaces Murray McEwen, a Tate & Lyle director who moved down from Toronto on a temporary basis after the previous Staley boss Doug Lapins resigned in April because he found he was "not enjoying the job", according to Tate & Lyle.

In common with its two other big competitors, ADM and Cargill, Staley is suffering from a cyclical downturn in its principal product, high fructose corn syrup (HFCS); excess capacity combined with weakening demand for soft drinks has placed the two main HFCS buyers Coca-Cola and PepsiCo in a particularly strong position to effect a tight squeeze on prices.

Pillard, 45, who has been in corn milling all his business life, joined Cargill in his late teens on the night shift in the laboratories. He has worked his way up to senior vice president, technology/engineering operations of Cargill Corn Milling based in Minneapolis. While he joins at a "challenging time", according to the company, analysts say that Staley's position is a mark of wider troubles in the industry rather than any management-induced problems.

The Halifax Building Society, Britain's biggest provider of housing finance, has been slower than some of its rivals to move into Europe. However, it may be starting to catch up.

In May its members approved a change in its rules to enable it to lend money in the European Community and invest in a finance or insurance company. Now it has strengthened its European team by appointing Mike Ellis (left) as general manager, treasury and European operations. He joins Ian Lumsden, the Halifax's assistant general manager for European operations, who has been monitoring developments on the Continent for some time.

Ellis, a former local government official, joined the Halifax five years ago as treasurer. In June 1989, he became group treasurer and he has now been promoted to general manager, treasury and European operations. He is the youngest of the Halifax's general managers and will continue to report to Gren Folwell, the Halifax's finance director, on treasury issues. However, he will report directly to Jim Birrell, the group chief executive, on European matters.

TECHNOLOGY

Victoria Griffith outlines the reasons why American companies are intent on developing the fastest growing part of the beer market

US brewers go alcohol free

After a late start in the non-alcoholic brewing business, American beer companies are catching up fast with their European competitors as a result of a determined drive.

Until 1989, the US non-alcoholic beer market was occupied almost exclusively by European imports. A few years ago, Heileman, Miller and Anheuser-Busch marketed their first non-alcohol products, and the US brewers have been swiftly and doggedly gaining market share at home ever since.

As a result, all the chief US groups now offer non-alcoholic beers. Coors and Stroh launched their own brands last year, and even small American brewers are starting to get in on the act.

The reason for the new love affair with non-alcoholic brews can be quickly nutshelled: the fact is that in a stagnant market, non-alcoholic and low-calorie beers are expected to provide the only real growth in the industry during the next few years.

"No-alcohol and low-calorie beer are the only parts of the beer market that are really growing fast," says Julie Dulow, a spokesperson for Coors. "The non-alcoholic market is expected to be up 40 per cent next year."

Although that would still represent scarcelya drop in the bucket compared to the overall beer market - non-alcoholic beer accounts for less than 1 per cent of total sales - it may help provide expansion room for an otherwise stagnant industry.

The campaign in both Europe and the US against drink-driving and the trend to a healthier lifestyle make non-alcoholic beer a real attraction for consumers.

Ron Siebel, a beer market consultant in Chicago, thinks that non-alcoholic beers have an important edge over other non-alcoholic products.

"If you take the alcohol out of beer and you produce it right," he argues, "you will have a beverage that will taste like a beer. You can't make a non-alcoholic wine because if you did, you'd have grape juice; and if you had a non-alcoholic spirit you'd have water."

Even if it is granted that non-alcoholic beer may be much easier to make than non-alcoholic wine, American brewing companies have found that taking the alcohol out while leaving the taste in is no mean feat. According to industry standards, non-alcoholic beer must contain less than 0.5 per cent alcohol.

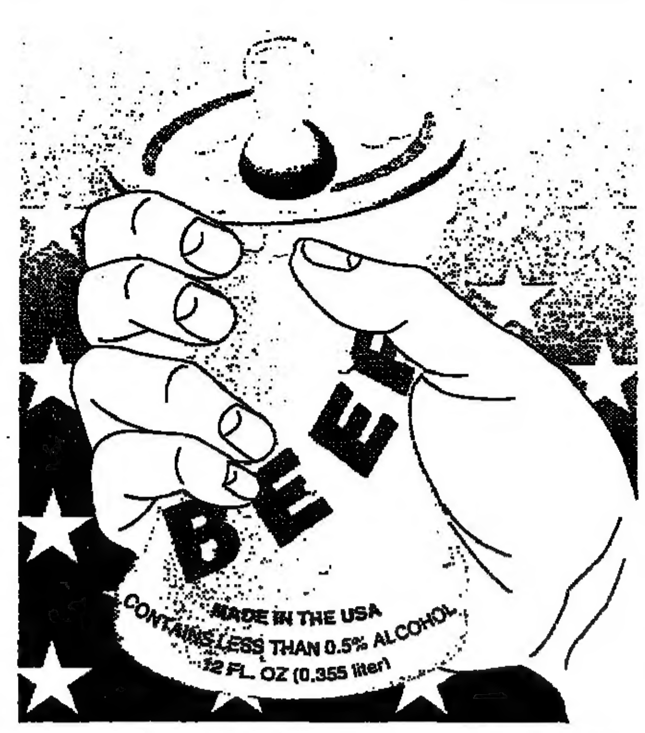
The campaign in both Europe and the US against drink-driving and the trend to a healthier lifestyle make non-alcoholic beer a real attraction for consumers.

In taste tests, consumers still say that non-alcoholic beer often has a sweet or watered-down quality. The technology has been improving, and the American brewers are starting to come up with their own methods.

"The Europeans have been at the (non-alcoholic) game longer, but the Americans have quickly moved to the cutting edge of new technologies in the market," said Joseph Owades, a technical beer consultant who credits himself with concocting the first light beer in 1967.

Stroh has come up with a new, patented method to produce its Old Milwaukee NA brand. The process, enigmatically dubbed the Alfa-Laval Centritherm method, uses centrifugal force to separate the alcohol.

One of the problems with non-alcoholic beer has been the unwanted but nitherto seemingly inevitable loss in taste which is a result of the heat which is applied to the mixture during distillation. Stroh's method applies a lower temperature more briefly. Stroh is adamant that the result is a better tasting product.



Membrane separation is still considered one of the best methods of production. The process does not rely on heat: instead, it pushes the brewing mixture through a semi-permeable membrane to remove water and alcohol from the beer solids.

The mixture is then diluted with de-aerated, carbonated water to attain the desired alcohol level in the finished beer.

As membrane technology is constantly being perfected, many people in the industry believe it represents the shape of the future.

"Membrane technology will become more important," says Hugo Patino, director of brewing research and development for Coors.

"Of course, the real goal is to have a membrane that would be selective only for alcohol, but that's hard."

One important variation upon the membrane technique is what is known as a "dialysis system".

After separating the alcohol and water from the beer mixture through the membrane, the alcohol and water go through a distillation column which removes the alcohol alone.

The same water is then put back into the beer mixture.

The idea behind the dialysis system is that many of the "taste" molecules which are flushed out with the alcohol would be replaced with the old water at the end of the process. However, this technique is largely experimental, and has not yet been embraced by any of the large manufacturers.

The main problem with membrane technology is its high cost. Membrane technology requires heavy initial investment in plant.

Only the largest brewer in the US, Anheuser-Busch, which accounts for 44 per cent of total US beer sales, uses the membrane method for its non-alcoholic product.

Switching to membrane technology would be feasible for most of the other larger brewers - the cost of making the beer is, after all, not so high compared with the cost of marketing. For smaller brewers, however, it is out of the question.

One popular lower-cost method is to control fermentation. Several variations on the technique exist. One is to use selective yeasts which do not produce as much alcohol; another is to keep the brew at a very low temperature in order to arrest fermentation.

Coors and Miller both use this method for the production of their non-alcholic brands.

During the last few years, small breweries in the US have been enjoying something of a comeback.

For them, many of the new technologies are too costly to seriously consider.

One new method, though, is gaining in popularity. To produce a non-alcoholic beer, many of these small-time brewers are simply producing a very concentrated malt mixture, which is later diluted with carbonated water.

Some analysts are enthusiastic about this new process.

"Using this method," said Mr Siebel, "it is possible to vary your color levels and bittering in the finished beer."

Others are not so sure. "It doesn't taste that much different than pouring beer into a glass at home and adding carbonated water to it," says Mr Patino of Coors.

Non-alcoholic beer is proving too important a market for US brewers to ignore it, whatever the cost issues may be in the short term.

The big beer companies can be expected to continue their quest for the perfect non-alcoholic beer, and with the new technologies, the final product is constantly improving.

Yet for all the investment in new methods, the market has not yet achieved a non-alcoholic beer that tastes exactly like the real thing.

Worth Watching · Paul Taylor

Film offers fresh fruit longer life full of travel

FRESH FRUIT, flower and vegetable growers face a dilemma if the markets for their products are far away. Sending perishable goods, like peaches, by air is expensive, but prolonged cold-storage leads to a loss of juiciness and 'bloom'.

Research for Australian National Line, the Melbourne-based shipping group, has led to the development of an "active wrapping" which can keep perishable goods fresh for several weeks, enabling them to be sent by ordinary sea transport and cutting growers' costs substantially.

"Essentially the wrapping puts the fruit to sleep," said Mr Simon Crean, Australia's Minister for Primary Industry at a recent product demonstration."It controls the gases surrounding the fruit so that the biological processes are greatly slowed for the duration of the voyage. The ripening process and normal plant respiration are put into suspended animation."

The new material has four elements. A permeable membrane lets through the precise amount of carbon dioxide gas and oxygen to keep the product dormant. Then it is impregnated with an organic chemical which soaks up ethylene gas exuded by vegetable matter which hastens ripening. In addition, it keeps the air around the product very humid, while removing moisture which condenses inside the package. Finally, the wrapping is impregnated with minute amounts of slow release fungicide which inhibits mould growth.

Australian National Line, Australia 61 3 869 5555.

Taking the heat of molten steel

MEASURING the temperature of molten steel manually is dangerous and costly, so Vesuvius International, part of Cookson, the international industrial materials group, has developed a new long-life sensor which can measure the temperature of molten steel up to 1,800°C for more than 300 hours at a time.

"Steel companies throughout the world are trying to improve the quality of their steel,"said Wolfgang Löser, president of the German-based Accumetrix division of Vesuvius."Our sensors will monitor the whole process, tell them second by second what the temperature is and guarantee they produce the best quality steel."

The new long life sensor, manufactured by the Accumetrix plant in Beaver Falls,Pennsylvania, is made out of platinum and rhodium and can measure the temperature of over more than 18,000 tons of molten steel being cast at the rate of six tons a minute. Vesuvius is also working on a new range of sensors, the size of a walking stick, which will measure the sulphur, hydrogen,oxygen, phosphor and nitrogen content of steel.

Vesuvius Accumetrix Division:Germany,49 28 227140

Brilliant display revives desktops

THE INCREASING popularity of graphical user interfaces (GUIs) and graphics-orientated personal computer applications is driving the trend towards larger PC monitors and higher resolutions.

Philips' Brilliance 2110 high resolution 21-inch monitor enables desktop systems to offer display performance usually only available on expensive graphic workstations. The new monitor is capable of displaying resolutions of up to 1600 x 1280 pixels on a double A4 size screen and exceeds the Swedish MPR-II standard for low emission levels. Fourteen preset video modes can be selected using a 16-character LCD display at the front of the monitor which has a top refresh rate of 76Hz in 1280 x 1024 mode to ensure a stable flicker-free display. The monitor costs £2,999.

Philips:Netherlands,20 783 684;UK 081 689 4444.

Best mousetrap dials captor

PERHAPS THE ultimate "better mouse trap" has been devised by Rentokil, the UK-based pest control company.

The Mouse Alert system uses a series of strategically sited mouse-acceptable boxes, each fitted with two miniature infra-red beams and a radio transmitter. When a mouse enters and breaks both beams (to eliminate false alarms), the transmitter signals the control box and shuts the trap's doors. The control box, which can serve more 200 traps, displays an visual alarm, sounds a bleeper (which can be muted for discretion) and then automatically dials a sequence of up to four telephone pager numbers.

Once alerted the control technician switches off the alarm, removes the mouse in a special container for humane disposal off site and re-sets the system - all of which is confirmed by a control box print out. No toxic bait is used so there is no risk of contamination, labour intensive inspections and reporting are eliminated, response is immediate and the system provides round-the-clock protection.

Mouse Alert is intended for high risk premises or high value goods where damage or contamination could be catastrophic, such as food and pharmaceutical manufacture and protecting high technology equipment.

Potential uses include air and rail traffic control centres.

Rentokil:UK 0342 833022.

OLYMPIC NEWS IN BRIEF

Popov wins second freestyle title

Alexander Popov of the CIS, who toppled Matt Biondi in the 100 metres freestyle on Tuesday, grabbed a second Olympic swimming title from the big American in the men's 50m freestyle.

Popov never hurried his long stroke but Biondi could not catch him in the one-length thrash, shortest race in the swimming programme.

Popov touched home in 21.91 seconds, with Biondi taking the silver in 22.09 and American world champion Tom Jager the bronze in 22.30. Jager was silver medallist behind Biondi in Seoul.

Victory gave the Unified Team golds in all the men's individual freestyle events from 50m to 400m, with Popov victor in the 50m and 100m and Evgeny Sadovyi champion in the 200m and 400m.

They also won the 4 x 200m freestyle relay in world record time.

Boxing gold for Germany

Lightweight (60kg) world champion Marco Rudolph of Germany grappled his way to victory over Romanian Vasile Nestor at the Olympic boxing tournament. The first round fight mostly reminded fans of Greco-Roman wrestling as the two men pushed and shoved each other around the ring.

They had fought in the semi-finals of the world championships in Sydney last year, when the former East German won on points.

Lewis warned by IOC

The IOC said it had told the US team for the second time that Carl Lewis must not work as a journalist at the Olympics and issued a separate warning about basketball "bad boy" Charles Barkley.

IOC spokeswoman Michele Verdier said the committee's legal affairs department had sent letters to the US Olympic Committee (USOC) about Lewis and Barkley.

Working as a journalist contravenes the Olympic charter.

USOC spokesman Mike Moran said no letter had so far been received from the IOC. "Until we get a letter, we cannot respond," he added.

Verdier said the new inquiry into Lewis followed a TV commercial in Barcelona promoting a column by the US six-times Olympic champion in the local newspaper el Periodico.

Boost for UK hockey team

Britain regained hopes of retaining the men's Olympic hockey title by beating eight-times Olympic champions India 3-1.

Britain scored twice in the last 10 minutes to clinch victory over an Indian side which has now virtually lost all chance of advancing to next week's semi-finals.

India have lost two of three pool games so far.

Banned athletes achieve fastest fall from grace

By Peter Berlin

THREE OF Britain's Olympic competitors have been dismissed from the Games in disgrace following positive drug tests. They were snared in random tests conducted by the Sports Council, Britain's umbrella sports organisation, prior to the Games. All three were sent home before having a chance to compete in Barcelona.

The scandal marks Britain's blackest Olympic day and has produced outrage and indignation. UK sports minister Robert Key claimed there would be "no hiding place" for cheats.

Jason Livingston, 21, a runner entered in the 100 metres and 100m relay, tested positive for the anabolic steroid Methandianone. He was known as "Baby Ben" by other British sprinters because of his resemblance to his hero, Canadian sprinter Ben Johnson. The Canadian was stripped of the 100m gold medal at the Seoul Games four years ago after failing his drug test.

Andrew Saxton and Andrew Davies, two British weightlifters, both 25, gave test samples containing Clenbuterol, a banned stimulant.

International sport is threatened by a wave of new-generation performance-enhancing drugs, often difficult to detect.

Ironically, Britain has long claimed a pioneering role in fighting drug abuse, and has repeatedly called on the International Olympic Committee to toughen its stance against cheats.

Robert Key said he was "horrified." Lord Howell (formerly Labour sports minister Denis Howell) said: "There can be no athlete in the country unaware of the dangers of taking forbidden substances, and I only wish every other nation behaved in such a decisive manner as we have done."

The three have a right of appeal, but face being banned. Dick Palmer, Britain's Olympic *chef de mission*, said the scandal had caused "emotional distress" to the three competitors, the administrators and to the rest of Britain's 400-strong team.

Livingston was tested on July 15. He was told he had tested positive three days ago and returned to Britain early on Wednesday. Palmer said Livingston "took the news very quietly".

Davies was tested on July 10, Saxton the following day. Both were "very upset", said Palmer.

The weightlifters admitted they had taken Clenbuterol. The substance is banned in the UK but is available elsewhere, including Germany, as a treatment for asthma. According to Palmer, Saxton said he took it for his asthma and gave it to Davies later.

Livingston equalled the European 60m indoor record last February and lowered his 100m personal best to 10.09sec early this summer. He stood a good chance of a medal as part of the British 100m relay team.

Saxton was a weightlifting outsider though Davies was runner-up in his class in the world championships in 1989 and Commonwealth champion the next year. Since then his results have been less impressive.

During the Olympics, drugs tests are normally completed within 48 hours. Palmer said these British tests had taken so long because of a backlog. The Sports Council had tested 1,050 samples in the last six months.

Palmer said that he would have preferred the results to have been known before the Olympics. That way, the matter could have been dealt with by the British governing bodies of the two sports and "we could have avoided the spotlight here."

He added that all the Sports Council tests had been completed and that none of the others was positive. He said: "We are determined to carry on continual and continuous out-of-competition testing: our job is to stop drug-taking."

John Carlisle, chairman of the Conservative backbench sports committee at Westminster, said it was well known that "a lot of top athletes are using drugs."

He said it was to the credit of the British Olympic Association that it had taken the decision to send the three home.

Red faces on Britain's blackest day

Peter Berlin and Nicholas Woodsworth report

British sprinter Jason Livingston: expelled from the Olympics

The British Olympic Association's vigorous anti-drugs policy left it in an embarrassing position yesterday. It caught three of its own team and had to expel them from the Games in the glare of world attention.

The three – sprinter Jason Livingston and weightlifters Andrew Davies and Andrew Saxton – had been tested as part of the BOA's random drugs testing programme. Competitors are tested without notice at training or at home. The first they know about it is often a knock at the door.

Livingston was the best-known of the three, because athletics is such a high-profile sport. Livingston, from London, was second in the world junior championships in 1990. After that it seemed that he failed to grow enough to realise his promise. He was 5ft 6in in a sport where a good big 'un always beats good little 'uns.

This year, however, Livingston's performances improved sharply. He equalled the European 60m record and cut his 100m best to 10.09secs. His short, stocky build made him look a bit like Ben Johnson, the hulking Canadian who finished first in the 100m is Seoul but then failed a drug test and was dubbed sport's biggest-ever cheat.

Livingston shaved his head to emphasise his resemblance to Johnson. Linford Christie, Britain's 100m silver medallist in Seoul and Livingston's training partner, even nicknamed him "Baby Ben." The official games profile says that Livingston "imitates the way Johnson starts and his room is full of posters of the Candian." It seems that imitation went to far.

Livingston's disgrace was seen as good news in some quarters. Bob Inglis said yesterday that he resigned as Britain's national sprint event coach after the 1990 Commonwealth Games in Auckland. "On the basis of what I could see, I anticipated this kind of situation and I wanted to distance myself from the sport.

"There will be other sprinters with higher levels of anxiety than yesterday, and not just in the British team." The world of sprinting, said Inglis, was "pretty unsavoury."

"In the last ten years I have found no legitimate way to move sprinters into the area of performance you see regularly on television."

Inglis said it was possible to guess which athletes were using drugs. "When you see no body fat and when you take that with the improvement of times over 12 months you can have a reasonable guess."

Dick Palmer, British Olympic *chef de mission*, was at pains to stress yesterday that Britain's drugs testing programme was not a mechanism for ensuring that drug-takers were clean before the Games, but was intended to eliminate drug use.

Yesterday, Primo Niebolo, president of the International Amateur Athletics Federation, claimed the federation was doing its best. "We are making a great battle but there are too few laboratories in the world. There are none in Africa, just three in Asia and only one in South America."

Tony Ward, of the British Athletic Federation, called on the IAAF and the International Olympic Committee to establish an international random drugs testing programme. Soon, sportsmen and women everywhere could hear a knock on the door.

Prior to yesterday, Britain's sports associations professed pride in their relatively clean records.

In 1989 Britain was a signatory to the Europan Anti-Doping Convention, which agreed on the need to introduce random, out-of-competition testing without advance warning.

Earlier this month, Wally Holland, secretary of the British Amateur Weightlifting Association, said he belived Britain was "getting on top" of steroid abuse in weightlifting, generally regarded as the sport in which drug use is most prevalent.

In international weightlifting competitions now, Holland says that up to 40 per cent of competitors are tested. But he has also admitted that the temptations of new types of drugs are enormous.

"The trouble is keeping up with new methods of doping. If I came up with a new drug tomorrow that would increase chances of winning, but also had chances of killing a competitor, I would still find plenty of people willing to take it."

Clenbuterol, the drug that put Andrew Saxton and Andrew Davies out of Olympic competition, is one of the most popular of a new generation of performance-enhancing drugs. It was originally developed as an asthma medication. Despite Saxton's and Davies' contentions that they employed it to relieve bronchial conditions, its main interest to athletes lies in two remarkable qualities.

The first is its fat-burning ability. In its chemical composition Clenbuterol, a non-steroid drug, is related to adrenalin, a hormone naturally secreted by the body. Like adrenalin – which is released only in periods of stress – Clenbuterol stimulates the burning of large quantities of fatty acids in the blood.

Clenbuterol also has strong anabolic, muscle-building properties. Without the side effects of steroids – hair loss, acne and testicular shrinking – it has a stronger effect than many steroids and pays a quick muscle-building bonus.

Although there is general condemnation of drug abuse, there are individuals within many groups who have an interest in keeping drug abuse under cover: athletes and their trainers, sports federations and national sports committees wanting to avoid embarrassment, and commercial sponsors and advertisers.

To work, they say, it must be fairly and uniformly applied by all national and international sporting bodies.

Wrestling with hidden wit and skill

Nicholas Woodsworth finds evidence to dispel some common myths

ALEKSANDR KARELIN is a sensitive man. He does not look sensitive. He looks just like you might imagine a Russian heavyweight Greco-Roman wrestler would.

He is 6ft 5in tall, weighs 286lb, and has extremely long arms, a massive jaw, a lowering forehead and a close-cropped, bullet-shaped skull. But I know he is sensitive because he told me so, and he is not a man I would argue with.

Karelin likes walking in Russian forests. He adores classical music. He not only reads poetry, he writes it. He has had offers to go to Hollywood. He makes the fact that he has not lost a wrestling match in more than 90 competitions since 1987 seem almost incidental.

But there was nothing incidental about his Olympic gold medal victory on Wednesday evening over Sweden's Tomas Johansson. Only 1 minute 33 seconds into the five-minute bout, and leading 2-0, Karelin brought the match to an end with a conclusive four-point fall.

Greco-Roman wrestling, it seems, is a sport that attracts sensitive men. In the last few days I have watched great exhibitions of emotion on the wrestling mat, displays more highly charged than one might expect from men who spend their days grappling with each other in sweaty gymnasiums.

Teary sentiment from the winners is surprising enough, but it is the losers I find most touching. I have watched Cubans with years of ideological training to stiffen them collapse on the mat in despair. I have seen South Koreans as hard as nails led away howling their anguish. This is a sport that can make even the toughest men cry.

Wrestlers may not look sensitive and intelligent, but their sport is a sport of wits. Wrestling is not an event that draws great crowds or massive TV coverage because – unlike ball games or athletics – the wit and skills involved are hidden. It is also a sport of hideously complex rules and prohibitions.

Brute strength is not the essence of the game. What counts is technical ability, timing, agility, fast reflexes and endurance. After the first three minutes of a five-minute bout, reserves of pure muscle power dry up and technique becomes all.

Adepts of the game say amateur wrestling – which has nothing of the fakery and crude spectacle of professional wrestling – is something like a game of chess. The aim is to analyse your opponent's style and then adapt your style so as to exploit his weaknesses. To win, a game plan is essential and there is very little time to develop it. Naturally, these mental processes are invisible to spectators. What we see is clutching, straining, groping, grimacing and a great deal of sweat.

Wrestling holds the distinction of being the oldest sport in the world. But in spite of its name, Greco-Roman wrestling – it differs from Olympic freestyle wrestling in that no holds are allowed below the waist – bears little resemblance to wrestling as practised in the Games of ancient Greece. Then the wrestlers fought oiled, sand-powdered and naked. A match could last days, and was accompanied by music to keep spectator interest up. It was also, according to authorities on ancient sports, an event of homo-erotic associations for the participants and voyeuristic pleasure for the spectators.

On Wednesday night the pleasure belonged to the supporters of the former Soviet Union's Unified Team. Not only did Karelin win the 130kg event, the heaviest of weight categories, but co-team member Oleg Koutcherenko, a Ukrainian, won gold in the 48kg event, the lightest. To even things up in the middle, Mnatsakan Iskandarian, an Armenian, took gold in the 74kg event.

In Barcelona, former Soviet wrestlers have kept their traditional hold on the game. But it might not stay that way for long. Throughout the former eastern empire the withdrawal of state funding will seriously affect the future of most sports. Aleksandr Karelin says that now the Soviet-style school of wrestling has broken up, the synthesis of regional wrestling styles that made the Soviet Union great is no longer possible.

The US, where college wrestling is popular, will be strong contenders in the future. So will Bulgaria, Japan, Korea and Poland.

There is no blubbing in the Unified Team's wrestlers' changing rooms these days, but there may well be tears before bedtime four years hence at the Olympics in Atlanta.

Sylvie Guillem

SYLVIE Guillem, the Parisian ballerina who has been a permanent guest artist at Covent Garden for three years now, is surely the most famous and controversial female ballet dancer today. The main reason for her fame is that her legs go up high, but it also helps that her feet are strikingly arched, *that her hair is a singular* shade of henna, and that her facial personality is both gamine and *mignonne*.

Several of those who object to her complain that she has technique but no feeling. The reverse is nearer the truth. As an actress, Guillem is adult, assured, involved and serious. *True, she is never moving* – but that is because her physical training will not let her be. On Wednesday she returned to the role of Nikiya, the temple dancer who is the heroine of *La Bayadère*. She is always eyecatching. *She* addresses each character with perfect attention, and she demonstrates *Nikiya's emotions* – love, jealousy, rage, scorn, grief – with intelligence.

But her feeling *never gripe*s us, because her Parisian training has painstakingly removed any true centre from her style. It was curious on Wednesday to watch her beside Deborah Bull, who played her rival, Gamzati. Bull, a rather two-dimensional actress, sneers and hams her way through Gamzati. *She* likes to underline her points by flashing her eyes, grinning, lifting *her chin haughtily; and also* lets her mouth drop open. Her dancing is exact but heavy; she is best in roles that have no kind of lightness.

Nonetheless, Bull has a certain force. Her gestures are supported from the torso. Guillem, by contrast, is so sophisticated that she makes everyone else onstage look provincial. But she has no force, and no tone. Whether miming or dancing, her movement is, in the wrong sense of the word, weightless. This is *also why, as Natalia Petrovna* in *A Month in the Country*, she cannot convey passion; and *this is why as Cinderella she* had no vulnerability.

She was strongly partnered on Wednesday by Zoltan Solymosi, the Hungarian dancer who is completing his first season with the Royal. Now here is someone who really is not much of an actor. When he has to sit loyally by his fiancee Gamzati while his true love, Nikiya, is dancing ardently before them, he seemed merely to have switched his mind off. Still, he is a real dancer, with tone, weight, force in plentiful supply; and (unlike so many rising Royal men) he never turns the force into strain. His *dancing is big, handsome*, obvious and easy to enjoy.

In the 1960s the Royal learnt much from having Rudolf Nureyev as a permanent guest artist. Do the powers that be at Covent Garden think that today's Royal can profit similarly from Sylvie Guillem? I hope not. The more closely you analyse her style, the less truly classical it is. And, after three years, nobody seems to have learnt anything from her – not even her many incidental virtues (authority, definition, chic). *She* keeps to herself, they keep to themselves, everybody consents to put on a show when the curtain rises, but nobody learns from the experience. Strange.

Alastair Macaulay

Dance/Clement Crisp

Strange Fish

IN THE six years of its existence DV8 has produced vivid and thought-provoking work that has explored the idea of "physical theatre". DV8's creations have charted areas of social and sexual politics – from the bleak homosexual despair of *Dead Dreams of Monochrome Men* to the pursuit of dreams and desires in *if only*. In everything, there has been the matching of technical daring with emotional bravado: if it is not perched on the edge of the perilous, DV8 seems to say, then it is not worth doing. And if it does not challenge its theme – and its audience's *preconceptions – then it is not* worthy of DV8's idealism.

There has resulted a body of work that stands at the forefront of British dance and, surely, of British theatre, by reason of the dazzling use of the ensemble's gifts – the pieces are usually a collective creation – and by the zeal of *Lloyd Newson, DV8's director*, to push further and further into that most dangerous territory, the human psyche.

Now DV8 has brought its latest creation, *Strange Fish*, to Riverside Studios. The title is owed to the Buddhist saying that we should be as ignorant of what we are going to catch as a fisherman of what is at the end of his line. The argument concerns the nature of our quest for someone to love (though DV8 does not believe in tame gazelles or gentle *doves) and something* or someone to believe in. The staging is – and in this lies an acute *fascination – exactly of our* time in gauging the forms through which this quest may be understood, and the terms in which disillusion will manifest itself.

We see a boarded stage in front of a wooden facade (excellent design by Peter J Davison) which has windows, doors, a ladder, and small apertures which will enable the cast to find hand and foot holds for the more acrobatic moments of the action. As the action begins, drifting mist reveals a cross from which hangs the Christ-figure of the singer *Melanie Pappenheim*. Through the gloom a crowd of naked bodies climb across the stage and into the facade of the building. The tiny, elf-like figure of Diana Payne-Myers, a fascinating performer despite her sixty-something years, lights candles at the foot of the cross. Wendy Houston, that thrillingly intense dancer, whirls and falls, holding a wine-glass which she con*stantly fails to seize with her* other hand. A door opens to reveal Diana Payne-Myers worshipping a crucifix in front of a gushing wash-basin. The stage brightens to bring on other members of the cast – Jordi Cortes Molina, Nigel Charnock, Dale Tanner, Lauren Potter, Kate Champion – who mime, mingle, exchange physical babble, flirt, pick up and drop each other (in every sense) as a *tango rings out*.

I have detailed this opening section since it contains images which will recur throughout the 90 minutes of the piece. They are in no way shocking – though *Disgusted of Tunbridge Wells* may not be too happy – but they are provocative in the very best terms of DV8's creative imagination. The performance process is to confront each member of the cast – and each of us – with the failure of belief, of love, with the corruption and extinc*tion of hope and desire*. *Strange Fish* is pessimistic – in an interview Lloyd Newson quoted Francis Bacon's comment that he "believed in nothing but was eternally optimistic" – yet it takes a compassionate view of its crises and of the human condition.

It is riven with moments of wild humour, and galvanised both by stunning theatrical coups and stunning performance from its cast.

Strange fish indeed . . .

Speech is minimally used, notably by Nigel Charnock as the gabbling unwanted guest, desperately trying to be loved – "People are my hobby. I'm a *people* person" – and insinuating himself between pairs of lovers. A duet for Lauren Potter and Jordi Cortes Molina is a transcendental study in movement curving and oiling itself through bodies. Houston sticks two feathers on Charnock's shoulders, leads him to a window, and urges him to fly – and heart-stoppingly he *plunges down. (Freudians will* recognise the sexual connotation). Intercourse between Houston and Tanner degenerates into frantic masturbation by the man as a torrent of stones suddenly pours on to the stage, and Houston starts to flail and writhe among them. The images resonate throughout the action, and we make connections, and know the despair that lies at the heart of the work.

The closing section is fiercely daring. Charnock has roped himself to the Cross. Rejected by the other members of the cast, Houston has torn up part of the stage floor, to reveal subterranean waters. She teases Charnock. He flees from her through trapdoors, but she at last releases him from the cross, and they plunge into the water. Melanie Pappenheim appears, supporting Dale Tanner as if holding a Christ from a Deposition. Houston emerges from the *water, and wanders over the* empty stage. She takes a glass of wine, climbs up the cross where Pappenheim again hangs, pours wine on her, kisses her, and after a desperate search for Charnock, balances herself upon the last wine-glasses. The light dies, and we can take no comfort from what we have seen.

In the matter of performance, the evening is unflawed. The playing of the *ensemble – the brilliant* conflict and complementing of personalities; the shared sense of risk and trust: the acuteness of timing and physical response – is matched by an emotional awareness that is dazzlingly communicative. One may argue with the work's premises – its denial of faith, of the enduring power of human relationships – but there can be no argument *about the astonishing force of* its realisation and performance. To Lloyd Newson *and his cast, admiration and* gratitude. The fine score and soundtrack are, respectively, by Jocelyn Pook and Adrian Jackson. Admirable lighting is by Steve Whitson. Not to be missed.

Strange Fish continues at Riverside Studios, Hammersmith, until August 8.

Theatre/Malcolm Rutherford

Lady Be Good

THE Open Air Theatre at London's Regent's Park, as I have written before, is one of the great pleasures of the English summer. *Lady Be Good* carries pleasure to perfection. Ian Talbot's production scores in every department: acting, singing, dancing, costumes and staging. It is also very amusing.

Lady is not *quite* such a good musical as *Guys and Dolls*. It is a little too flapperish and *one-dimensional for that, but with its* featherweight touch it plays in the same division. Like the best of P G Wodehouse, it *captures a world of innocence. Some of the* characters indeed could almost come out of Wodehouse, such as Gavin Muir's Bertie Bassett, the obviously very well brought-up and thoroughly amiable young man with a tendency to take to the bottle and see pink spots.

The girls belong to the world of Wooster as well: bright young things and occasionally predatory, like Jane Maud's wonderfully dressed Josephine Vanderwater. Ms Maud wears one of the best pair of shoes, usually concealed by her skirt, I have seen: black down one side, purple down the other. Such splendid details abound. *There is an embrace between* lovers where the lipstick comes off not smudged all over the man's mouth and cheeks, but precisely on his *lips as if it had been the perfect kiss.*

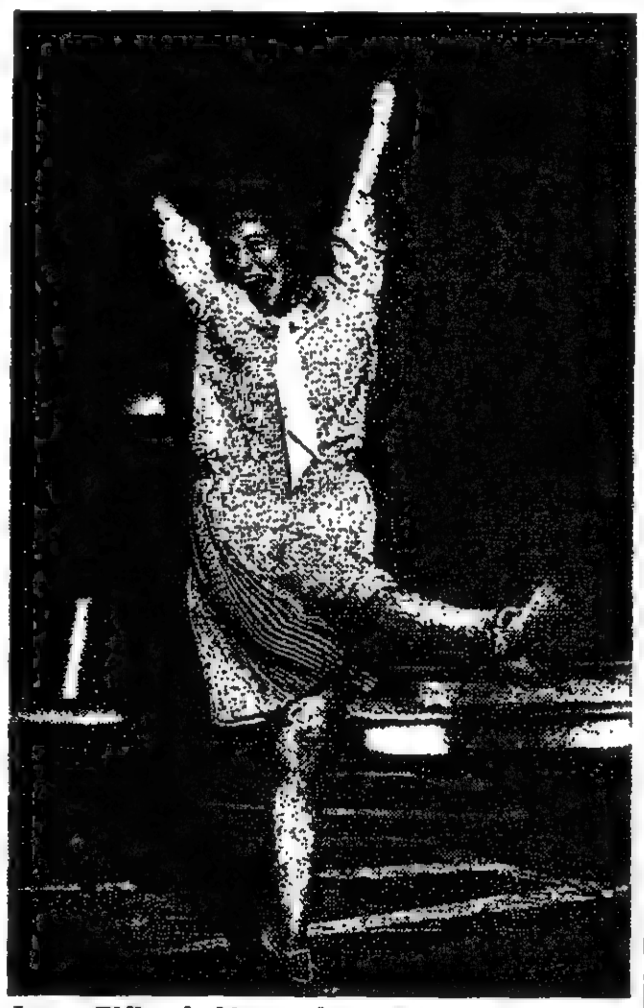
The dialogue is very funny. Even the corniest of jokes come off because the period has been so well caught. "I'm shaking like a fender on a Ford," says Bernard Cribbins as Watty Watkins, the slightly shady lawyer. And again: "He was trying to start the cuckoo clock with birdseed." Cribbins gets away with a pun on the Spanish *noces* and the notches on the Mexican's gun. Simon Green as Dick Trevor, the impoverished lover, manages to say the line "I'm so gosh darn *blue*" with real feeling.

Cribbins is involved in a couple of scenes of purest comedy: one where he attempts to describe a bull fight he has never seen, another where he persuades Bertie Bassett to have a non-existent drink from a non-existent bottle, a non-existent glass and a sometimes existent waiter.

If one dwells on the comic side, it is because it is such a marvellous and sustained complement *to the music*, which after all is by George and Ira Gershwin in their youth. The title song in *Lady* remains as irresistible as ever – almost impossible to get out of your head. There is also "Just Another Rhumba" with that clever way of rhyming by pronouncing the "b" in dumber, and which was not part of the original show. Add "Fascinating Rhythm" which, according to a programme note by Benny Green, was heard by Gershwin *père* as "Fashion on the River". You will not make that mistake in Regent's Park.

Not least, there is "I'd Rather Charleston": ("I'm not disappointed, I'm just double-jointed.") The singing and dancing are captivating throughout. They rely on the old but effective technique of starting with a twosome, then *bringing in the ensemble*.

If there has to be a top prize, it must go to Joanna Riding, who sings, acts, dances and looks good non-stop. But do not forget the others, including Alister Cameron as an immensely tall Jeevesian flunkey, and the designs by Paul Farnsworth. You really ought to see *Lady Be Good*: you know that you should.



Joanna Riding: looking good, sounding great

Summer Festivals

Sawallisch bows out in Munich

AFTER nearly quarter of a century at the centre of Munich's operatic *life*, Wolfgang Sawallisch is leaving – and the city has suddenly begun to *suffer withdrawal symptoms*. In an otherwise unexceptional July Opera Festival, Sawallisch's performances alone captured the festival spirit – not just his mature, fresh-minted Wagner, Strauss and Mozart, but *his surprising decision to* bow out with a modern work: Henze's *Der Prinz von Homburg*.

Sawallisch became music director of the Bavarian State Opera in 1971 and quickly established a close working relationship with Günther Rennert. Had he been able to find a suitable partner after Rennert's death, he might not be leaving now. It was his rivalry and *incompatibility* with Rennert's eventual successor, August Everding, which led him to seek the post of overall director in the early 1980s – a role to which he was temperamentally unsuited. Sawallisch could not handle the political side of the job, he had little success as an artistic planner and was dogged by bad luck. The past ten years have *effectively* soured his relationship *with his home* city, and apart from a handful of performances in September it is doubtful whether he will ever again conduct opera in Munich.

> ' Sawallisch is one of a select group of conductors who can transform a performance'

Anyone who has experienced a Sawallisch evening in the National or Cuvilliés-Theater must *realise this is a tragedy*. Despite his imminent move to the Philadelphia Orchestra *(and EMI's attempt to sell him* as a recording star), he remains a theatre conductor at *heart. He is one of a select* group of conductors who can transform a performance, no matter how moribund the staging. His relationship with the Bavarian State Orchestra is one of implicit trust and mutual inspiration, built up over years of intensive work.

Sawallisch's Munich performances always carried an air of musical substance from start to finish – a special cogency, an unmistakable stamp of on-going, unshowy German tradition, whether in *Meistersinger* or *Arabella*, *Cardillac* or *Palestrina*. Such qualities – increasingly scarce as conductors take the fast route to fame on the international circuit – have been taken for granted in Munich in recent years, but they proved crucial to the success of the new Henze production.

Der Prinz von Homburg, premiered in Hamburg in 1960, remains one of Henze's least known stage works (a British company has yet to tackle it, though the BBC broadcast a *studio performance in 1989*). Judging by this well-cast production in the Cuvilliés-Theater, staged by Nikolaus Lehnhoff and designed by Gottfried Pilz, it is also one of his most eloquent and aesthetically pleasing. Henze and his librettist Ingeborg Bachmann turn Kleist's early 19th century tale of Prussian militarism into a dream play: the Prince inhabits the stage like a universal somnambulist, treading the dan*gerous tight-rope between* dream and reality, state power and individual freedom, duty and feeling.

Despite its unfashionably utopian ending, the opera has lost none of its contemporary relevance. Nor has the music dated. The score is notable for its richly poignant lyricism, its *emotional* power, *its plasticity* and swift *durchkomponiert* quality, transcending the episodic nature of the stage drama. All the effects are precise, piquant and refreshingly un-Expressionist – particularly the dappled instrumental tapestries at the opening and close, and the brilliant crescendo to the Act one finale. No meandering, no overladen textures, no dogmatic serialism – *though the transparent clarity* of the Munich production owed something to Henze's re-editing *of the score*, resulting in a pruning of wind, percussion and chorus parts.

The performance itself was mesmerising. Sawallisch's command of Henze's idiom, his elucidation of the work's structural complexity and animation of its rhythmic undertow, suggested thorough preparation and commitment. Lehnhoff's staging was equally perceptive. It focused exclusively on the poetic symbolism of the drama, unfolding in a semi-circular stage-tower behind a misty blue gauze – an isolated, abstract world, monumental *and simple. The only props* were three tables, positioned in line or strewn about the stage *to evoke council of war, battle* and prison. The costumes were austere period suits and gowns; the lighting exquisite.

François Le Roux's idealistic young Prince made a strong, handsomely-declaimed centrepiece. William Cochran brought gravity and mature poise to the Elector of Brandenburg. Claes Ahnsjö was the highly sympathetic Count Hohenzollern. Helga Dernesch lent *the shadowy Electress* a welcome size of personality, while the blossoming Mari Anne *Häggander really tugged the* heart in Natalie's plea for the Prince's pardon.

The Bavarian State Opera now faces ten months of upheaval, camping out in Munich's underused older halls and theatres while its main home, the National Theater, undergoes repairs to the stage hydraulics. Peter Schneider arrives as music director in January, and Peter Jonas takes up the post of intendant at the beginning of the 1993-4 season. Sawallisch's final duty will be *to take the company on tour in* November to Japan. The fact that he has chosen to leave the company with a *new production of Die Frau ohne Schatten* in Tokyo and not in Munich shows where his sympathies now lie.

INTERNATIONAL ARTS GUIDE

Prima la musica – dopo le parole? The motto of Richard Strauss' Capriccio, weighing up the relative importance of words and music in opera, has *come home to roost in Salzburg* over the past two weeks. Riccardo Muti stormed out of a new staging of La clemenza di Tito – the standard bearer of Gerard Mortier's incoming festival regime – claiming that the production concept of Ursel and Karl-Ernst Herrmann destroyed the poetic world of Mozart's music.

The Italian conductor, a *favourite of Salzburg audiences* since his debut there in 1971, also accused Mortier of failing *to act as mediator*.

Meanwhile, the Herrmanns – close collaborators of Mortier from his Brussels era – accused Muti of arrogant behaviour and outdated artistic views.

The first night went ahead under Gustav Kuhn. But Muti's other Salzburg commitments – including a Vienna Philharmonic concert next *Monday – will go ahead as* planned.

It could be the opening salvo in a battle between the old Salzburg and the new. Alternatively, it may be nothing more than a clash of operatic temperaments. Muti must be congratulated for sticking to his artistic principles: *few other conductors are prepared to take* a stand when faced with production excesses which *undermine the music. And yet* Muti must bear some responsibility for the fracas.

Why did he voice his misgivings only a week before the first night? If he found the staging so distasteful, he should have communicated *his views* to the festival management much earlier, *leaving everyone time to find a solution*.

Just as the Salzburg controversy began to break, La *Scala Milan (where Muti is* music director) announced plans for the 1992-3 season. The line-up is strong on Italian producer-designers with a lyrically expressive style far removed from the radical approach exemplified by the Herrmanns.

Franco Zeffirelli will stage the opening production of Don Carlo (Dec 7), conducted by Muti, with Pavarotti in the title role. Pier'Alli will stage Beatrice di Tenda with a cast led by Cecilia Gasdia.

Two Strehler productions will be revived, Domingo will sing the title role in Giordano's Fedora and Muti will conduct Pagliacci.

EXHIBITIONS GUIDE

BARCELONA

Museu Picasso Alexej Jawlensky (1864-1941): 119 works by the Russian-born artist who developed close ties with the Blaue Reiter. Ends Sep 27. *Closed Mon*

Fundacio Joan Miró Moving Image – Electronic Art: 30 *works, including large-scale* installations, representing the latest developments in art media. Ends Sep 6. Closed Mon

Fundacio la Caixa Avant-Garde Movements in Catalonia 1906-39: the role played by Picasso, Miró, *Dali and others in international* artistic developments (in La Pedrera building). Ends Sep 30. *Also Sport in Ancient Greece*: a guide to the customs, rituals and philosophy of sport. Ends Aug 9

Pia Almoina Medieval Catalonia: an absorbing exhibition divided between three different locations in the old part of the city. Ends Aug 9

DRESDEN

Hygiene-Museum The Elbe – A Course of Life: 800 paintings, objects and documents offering a fascinating pictorial history of the river and its surroundings from its mountain source in central Europe to its mouth at the North Sea near Hamburg. Ends Sep 20

Albertinum *Hidden Treasures* of the Dresden Sculpture Collection: an exhibition ranging from the Middle Ages to the 20th *century, including the 12th* century Otzdorf Madonna and works by Canova and Rodin. Ends Aug 9. Closed Mon

Schloss Pillnitz Wolfgang von Wersin (1882-1976), illustrating his impact on the design of 20th century household objects. Ends Sep 6. Closed Mon

Kupferstich Kabinett Francesco *Clemente (b1952): The Departure* of the Argonaut. A portfolio of 48 lithographic illustrations *inspired by the text of the early* 20th century Italian poet Alberto Savinio. Ends Oct 2. Closed Sat and Sun

Zwinger Rudi Stolle: recent work by the one of the great postwar creators of Meissen porcelain. *Ends Sep 13*. Closed Fri

ESSEN

Folkwang-Museum Edward *Hopper: paintings and drawings* by the early 20th century realist painter of urban America, set alongside 100 photographs drawing inspiration from the same source. Ends Sep 27. Closed Mon

Villa Hügel London: World City 1800-1840. The exhibition includes 700 objects reflecting London's wealth, dynamism and commercial strength in the era after the Napoleonic wars. Ends Nov 7. Daily

HILDESHEIM

Roemer und Pelizaeus Museum The World of the Maya: 300 archaeological treasures from Belize, El Salvador, Guatemala, Honduras and Mexico, illustrating the rich civilisation of the Indian peoples of central America before the arrival of *Columbus. Ends Nov 2. Daily*

INNSBRUCK

Schloss Ambras Hispania and Austria: the culture of the Hapsburgs, the patronage of their Catholic kings and the nobility and clergy of Spain and Austria, is examined in this exhibition. Some of the items displayed never been shown *before. Ends Sep 20*

LONDON

Royal Academy of Arts Alfred Sisley (1839-1899): 65 landscapes by the quintessential Impressionist. Ends Oct 18. Daily

National Gallery Manet: The Execution of Maximilian. Advance booking through First Call 071-497 9977. Ends Sep 27. *Daily*

Imperial War Museum Wyndham Lewis (1884-1957): Art and War. *An exhibition devoted to the* English painter who became the first Vorticist and found artistic fulfilment in the extremities and deprivations of the Western Front. Ends Oct 11

Courtauld Institute Drawing in Bologna 1500-1600. Ends Aug 31. Daily

Tate Gallery Georg Baselitz (b1938): prints 1964-90. Ends Nov 1. Also Richard Hamilton retrospective. Ends Sep 6. Daily

MUNICH

Lenbachhaus Gabriele Münter *(1877-1962): the most* comprehensive retrospective yet assembled of the German *painter who was influenced by* the Fauves, lived and worked with Kandinsky and ranks as one of the foremost female *artists in early 20th century* Germany. Ends Nov 1. Closed Mon

Kunsthalle der Hypo-Kulturstiftung Caricature and Satire: 500 years of pictorial comment on contemporary life and politics. Ends Aug 9. Daily

Stadtmuseum Bruno Paul (1874-1968): German interior decoration and architecture between Jugenstil and the Moderns. Ends Sep 20. Closed *Mon*

Villa Stuck Danilo Silvestrin (b1942): Design in Space. An exhibition of furniture and design models by the Munich artist, illustrating the links between art and architecture. Ends Sep 27. Closed Mon

NEW YORK

Whitney Museum of American *Art William H Johnson and* Afro-America 1938-46: 80 paintings in which Johnson (1901-70) celebrates his African-American heritage and presents an alternative side to American modernism between the Great Depression and the end of World War II. Ends Oct 25. Also the Paintings of George Bellows (1882-1925): 60 works by an artist who captured the vitality of American life at the turn of the century. Ends Aug 30. Closed Mon

Guggenheim Museum The Guggenheim and the art of this century. The main museum is closed on Thurs, the SoHo site *on Tues. Ends Aug 27*

Metropolitan Museum of Art Art of Islamic Spain. Ends Sep 27. Closed Mon

PARIS

Parc de Bagatelle Henry Moore: 27 large bronze sculptures. Ends Oct 4 (Bois de Bologne)

Musée Guimet From the Tagus River to the Chinese Sea: a Portuguese maritime epic. Ends Aug 31. Closed Tues (6 place d'Iéna)

Louvre Homage to Philip Pouncey: drawings by Correggio, Lorenzo Lotto and other Old Masters. Ends Sep 7. Closed *Tues*

Centre Georges Pompidou Manifeste: 7000 square metres given over to a multi-faceted exhibition covering the past 30 years of creativity in visual arts, video, cinema, architecture and design. Closed Tues

● Cartes musées available at all metro stations and *museums, to avoid queuing at* 60 museums including the Louvre, Musée d'Orsay and Versailles.

WASHINGTON

Corcoran Gallery of Art Max Weber: the Cubist Decade 1910-20, featuring 64 works with emphasis on city views. Ends Aug 9. Closed Mon

National Museum of American Art Ralph Eugene Meatyard and Helen Levitt: retrospectives of two leading photographers. Ends Oct 18. Daily

Renwick Gallery Drawings by Craft Artists: 12 drawings by six artists better known for their three dimensional work in clay, *fibre and glass. Daily*

FINANCIAL TIMES
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While Bosnia is burning

THERE HAS long been a painful mismatch between events in the former Yugoslavia and the international response. But at no point has the gulf between the conflict on the ground and the externally sponsored negotiations to stop it seemed more shocking or embarrassing than now.

While the Serbs continue their campaign of "ethnic cleansing" in Bosnia-Hercegovina, the European Community peace conference in London sets up a co-ordinating committee on constitutional change. While tens of thousands of Moslems flee to neighbouring countries, the British government proposes a new international conference on Yugoslavia – at the end of next month.

That the west feels helpless in the face of the Yugoslav horrors should not really be surprising. Months of arduous mediation efforts by Lord Carrington on behalf of the EC have failed to bring the Bosnian factions any closer together, as this week's desultory and futile negotiations in London have made clear. There can be no assurance that a wider international conference will have any greater success unless the combatants themselves want to stop fighting.

But to admit the difficulties is not to excuse the impossibly confused and half-hearted approach which western governments have displayed in recent weeks. The EC has discredited its peace effort by failing to back it with adequate resources, and through its clumsy attempt to hand over implementation of a half-baked ceasefire agreement to the United Nations. The UN's paymasters have hobbled its peacekeeping and humanitarian mission by stinting on the number of troops they are prepared to sanction, either to keep relief supplies moving from Sarajevo airport to other parts of Bosnia or to demilitarise and police UN-protected areas of Croatia. Partly as a result of such failures on the part of their member governments, the two organisations have found themselves at loggerheads when they should be working together constructively.

The newly proposed international conference offers an opportunity to begin sorting out the mess. With representatives of the EC and UN at the same table, they should be able to avoid the crossed wires of the past few weeks and to devise a common strategy to deal with the growing refugee problem as well as with actual and potential conflicts on the ground. And with the US government and other interested parties involved, a wider conference should carry greater weight than one sponsored by the EC alone.

To fulfil these requirements, however, and to win credibility, such a conference will have to be carefully prepared. It will have to be given a structure durable enough to lay the foundations of peace – or capable of defining what action to take, including possible military action, in the event of continuing war. That means it should have permanent and purposeful leadership – Lord Carrington and Mr Cyrus Vance for co-chairmen, perhaps, rather than the temporary occupants of the EC presidency – and be given the resources and manpower to do the job.

Above all, though, if such a conference is worth convening at all, it is worth convening rapidly. If it really has to be delayed until the end of August, the intervening period must be used intensively to ensure that all parties arrive prepared to take, and support, the necessary hard decisions.

Ethics and worse

AMERICAN BUSINESS schools have long been preoccupied with business ethics. Not so their counterparts in Britain. Despite the all-pervasive scandals of the 1980s, there is a tendency in Europe to regard the study of business ethics as faddish. Dixons, which is giving £1m to the London Business School for a chair in business ethics, clearly thinks otherwise, and with good reason.

Those who appeal to Adam Smith's description of naked self-interest as the driving force behind wealth creation forget that Smith was also a moral philosopher. It would never have occurred to him that the hidden hand of market forces could operate outside a moral context. Nor would he have been surprised at the way companies as diverse as Levi Strauss and The Body Shop have turned social and moral concerns to competitive advantage.

Yet it is equally possible for firms to win competitive advantage through corrupt practices, such as bribery. Failure to do so may even lead to loss of competitive advantage. In other cases the moral landscape may be transformed by scientific advances or changed public perceptions, leaving managers in an invidious position. Short of closing down an industry that employs millions across the world, how should the captains of the tobacco industry respond to changed perceptions about the threat to health?

There seems little doubt that bad ethics can give business a bad name. Retail investors have deserted the Japanese stock market because they feel, not without justice, that they wandered inadvertently into a den of thieves. Low standards of entrepreneurial behaviour in Australia in the 1980s did unquantifiable damage to that country's standing in international markets.

The case for studying business ethics is that they are difficult and that they matter. Since when have ethics been faddish?

The German past

MR ERICH Honecker, alive and apparently well enough to stand trial, is back in Berlin. Much German diplomacy has gone into getting him there, but it is fair to assume the German government is less than overjoyed by its success. Had Mr Honecker languished quietly in Moscow, he would have saved his countrymen a good deal of embarrassment.

But are they his countrymen? That is part of the difficulty. Mr Honecker is accused of crimes committed when he was a senior official, and latterly head, of a separate East German state. He now finds himself, much against his will but by decision of the majority of east Germans, a citizen of the Federal Republic, under a government still composed almost entirely of west Germans. That government is preparing to prosecute him for breaking the law of the state which he at the time led, and which no longer exists.

It will not be easy either legally or politically. Few Germans, east or west, can have forgotten the warm reception Chancellor Helmut Kohl gave Mr Honecker when the latter visited Bonn in 1987, and any that have will no doubt have their memory refreshed by television archive footage. Yet to leave Mr Honecker scot-free, after young border guards have been tried and sentenced for shooting would-be escapers to the west (which they did with his approval and authority, if not on his direct orders), is clearly impossible. Perhaps the border guards should not have been prosecuted, but that too would have been hard to explain to the families of those shot. In Germany of all countries, the fact that the guards were acting under orders could not be held to exonerate them, even if those orders came from the authorities of a then generally recognised state.

Mr Honecker's fate is thus bound up with a much larger problem of "overcoming the past" (*vergangenheitsbewältigung*), which Germany shares with its post-communist neighbours, but which takes on a special character in Germany for two reasons. First, this is, so to speak, the second past that Germany has had to overcome. All discussion of purging or punishing the former communists and their collaborators inevitably reawakens the traumas of de-Nazification.

Secondly, Germany differs from its eastern neighbours in that only part of it lived under communism. The anti-communist revolution in East Germany was rapidly overtaken and swallowed up by the process of reunification: and the issue of past versus present is inevitably intertwined with that of east versus west.

Where Nazi crimes against humanity are concerned, even the UK has found it necessary to waive the statute of limitations in order to prosecute alleged criminals now found to be residing on its territory. Happily the communist regime in East Germany, inhuman as it was in many ways, did not engage in genocidal activities. That being so, there is a strong case for disposing of its legacy as quickly as possible. The priority, in Germany's own interest and that of its European partners, must be to bind and heal the wound. No doubt it is necessary that it first be cauterised, by a clear judicial process to establish where responsibility lies – a process which must be kept as far as possible separate from today's politics. Once that has been done, the emphasis should shift to national reconciliation, in which clemency will have its part to play.

Tony Jackson on how ICI hopes to unlock resources through a radical restructuring of its businesses

Parts are greater than the whole

ICI's proposal to split itself into two will come as a seismic shock to the world chemical industry. It is normal for chemical companies to shuffle their assets around. For one of the world-scale players to carve itself up in this way is without precedent.

But ICI is in the mood for radical solutions. Its immunity from takeover was called into question last year by the appearance on its share register of the predatory Lord Hanson. It has expensive if unspecified plans for taking part in the restructuring of the chemicals and drug industries in the 1990s.

The plan announced yesterday addresses both these issues. It also brings to its logical conclusion an argument which has bedevilled ICI for more than a decade: how far the company should depend on traditional bulk chemicals such as chlorine and plastics, and how far on more sophisticated products such as drugs and pesticides. ICI's answer is nothing if not basic: let the two sides seek their fortunes as independent companies.

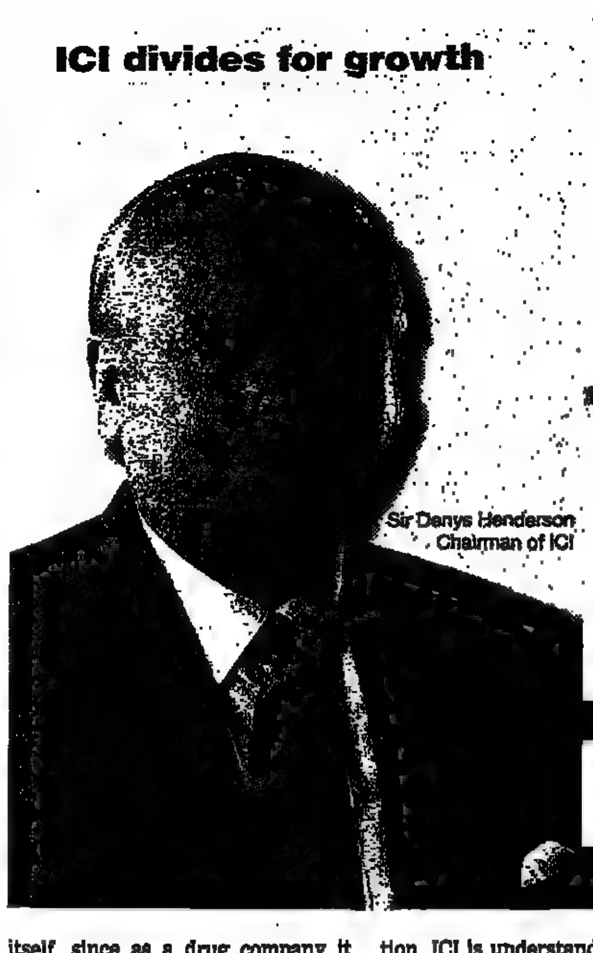
The problem with bulk chemicals is that their profits swing wildly with the economic cycle. In the peak year of 1988, ICI's bulk businesses made trading profits of more than £1bn. Last year they made a third of that. This year they will make less again.

Drugs and agrochemicals, by contrast, are classically immune from the cycle. They are also highly cash-generative, which is useful when the bulk business is in recession or is going through one of its characteristic phases of heavy investment. In that sense, there is a good deal to be said for keeping the two sides together. Why split them?

The succinct answer is given by Mr Ronnie Hampel, chief operating officer of ICI and future managing director of the bulk side. "There's been a debate on the board for as long as I've been on it over the right structure for the group. But the really serious debate came at the end of 1990, when we came to realise that against our expectations for economic growth in the 1990s, we wouldn't have the resources to do everything we wanted, or the focus."

The point about resources is crucial. After the group is split, the plan is that ICI Bio – the drugs and pharmaceuticals side – should raise cash through a rights issue. This is not necessarily because ICI Bio will need the money: on the contrary, it may be needed more on the bulk side. But it seems a fair guess that when ICI is split up, most of its cash will be shunted into the bulk business. ICI Bio can then replace that cash from the stock market more cheaply than ICI could itself, since as a drug company it will enjoy a higher rating.

ICI divides for growth



Sir Denys Henderson, Chairman of ICI

ICI	Turnover 1991 (£m)	Trading profit/loss 1991 (£m)
Paints	1,586	118
Explosives	536	54
Materials	2,037	-20
Industrial chemicals	3,694	132
Regional	1,246	29
Total	8,701	313
Employees at Dec 31, 1991: 88,100		

ICI Bio	Turnover 1991 (£m)	Trading profit 1991 (£m)
Pharmaceuticals	1,588	538
Agrochemicals & seeds	1,365	144
Specialties	984	38
Total	3,937	720
Employees at Dec 31, 1991: 35,500		

Total according to ICI report	12,488	1,033
Employees at Dec 31, 1991: 123,600		

The need for cash is explained by Mr Hampel. "As ICI is today, with its strong balance sheet, it doesn't need new equity to stay alive. But as and when the economy turns up, that would probably change. And if the two companies are actively looking for opportunities, they will want it all the more. On the other hand, if we were to go into a business depression, we simply wouldn't want to invest."

As to the opportunities in question, ICI is understandably coy. But in general terms, says Mr Hampel, "one of the features of today's world is that large parts of the chemicals industry are prepared to consider restructuring in radical terms. In titanium dioxide [a white pigment used in paints], for instance, there are obviously some non-profitable businesses around, which could get together. Our new structure might help there.

"Or again, people have frequently said to us that our pharmaceuticals business is non-viable. We tell them that's rubbish, and we mean it. But there will clearly be more opportunities now to get together."

The capital structures of the two new businesses is a delicate matter. Mr Colin Short, ICI's finance director, says "the first step is a massive internal restructuring of four or five hundred companies around the world, each of which will need sorting out. Having got to that point, we'll make an assessment of the capital structure of the businesses."

ICI is naturally keen to avoid the suggestion that the bulk business is being abandoned. "If you go back to the mid-1980s," Mr Hampel says, "the heavy end was throwing off cash. Even as late as 1988, it far exceeded the rest of the business in cash flow terms. Obviously, ICI continues to have within it cyclical businesses where cash goes up and down with the cycle. But we're already addressing that with our restructuring programme."

Nevertheless, it is plain that the bulk business – ICI's old heartland in industrial chemistry – will be the poor relation. Last year, it made 31 per cent of the group's trading profit on 70 per cent of its turnover. That was largely the effect of the economic cycle. But precisely because the business is so cyclical, it will command a lower price in the stock market.

It will take the market a little while to work out its sums on this. Early indications, though, are that the bulk business could be worth about 30 per cent of the total. On the basis of ICI's market value yesterday of £8.4bn – up 7 per cent on the announcement – that would put a rough value of £2.5bn on the bulk business against almost £6bn for ICI Bio.

These are still formidable numbers. Mr Hampel says "the bulk business will drop from number five in the world chemicals industry to number seven. The pharmaceuticals company will be number nine in the world. We're not talking about orphans here."

But there is another side to all this. Even if the threat from Lord Hanson proved little more than bluff, the fact remains that the proposal to split the business was first proposed only a few months after his appearance on the scene. When ICI talks of the bleak outlook for the 1990s and the opportunities this will create for restructuring, it must be conscious of the risk that it could create an opportunity for restructuring by someone else.

From a cynical viewpoint, splitting the business can be seen as tackling this risk head-on. The attractive, high added-value part of the business is put out of reach by giving it a higher stock market rating. The commodity business is made still more unattractive by being exposed on its own.

Like BAT – under fire from Sir James Goldsmith – ICI has shown a surprising turn of speed for a supposedly staid and bureaucratic management. Like BAT, too, ICI has demonstrated that corporate gadflies can have their uses. It will doubtless be sending a large cheque to Warburg, its financial advisers, for coming up with the demerger plan. Perhaps it should send a small donation to Lord Hanson as well.

A Long road to reform

Paul Abrahams on the process behind the proposals

Phoenix, Arizona, was the unlikely setting for the start of one of the most fundamental restructurings to have shaken the UK chemical industry. Sir Denys Henderson, ICI's chairman, was visiting the city in October 1988 when his company's third-quarter results were telephoned through.

"I went ho-hum. They weren't bad, but they weren't as robust as they should have been. Something clearly had to be done," says Sir Denys. He rang Mr Colin Short in San Francisco to ask the former treasurer of Chevron, the US oil company, if he would consider becoming ICI's finance director.

Mr Short accepted and, after a brief discussion, the two concluded the group required radical cost-cutting. Shortly afterwards a review of the group's structure was begun.

Ever since September 1986 when the company announced that its four bulk chemicals divisions were to be merged, there have been reports that ICI would float off its plastics and petrochemicals divisions. were to be merged.

The need for a strategy review became increasingly apparent. "The world economy was sliding into recession. It was getting nastier and deeper," explains Sir Denys.

Two study groups were set up in September 1990. One, under Mr Ronnie Hampel, ICI's chief operating officer, was given the task of examining the group's organisation. The other, under Mr Tom Hutchison, a board director since 1985, was to look at strategy.

Mr Hutchison's strategy group concluded ICI did not have enough resources to finance all its activities. Its report led to a restructuring plan announced in February 1991. The group also began actively considering hiving off parts of the company. A hint that such measures were being considered was given in the 1990 annual report when Sir Denys said the board would "pursue with vigour the reshaping of the ICI group still more radically in the years ahead".

But, says Sir Denys, "we all became rather distracted from the process when a certain gentleman took a considerable minority shareholding". He was referring to Lord Hanson, whose company bought 2.8 per cent of ICI's shares in May 1991.

At the end of that year, Sir Denys rang Sir David Scholey, chairman of ICI's adviser, S G Warburg. He asked him to provide someone who would approach the group restructuring with a financial and City perspective. Sir Denys chose Mr John Mayo, a 36-year-old corporate finance director at Warburg.

For the next two weeks Mr Mayo read hundreds of ICI policy documents. Working with a small team of ICI planners, he examined about 40 well-thought out proposals. Of these 12 were practical, but only one was outstanding, says Mr Mayo.

By April, that outstanding plan was put to the executive directors and then the non-executive board members. The main board agreed the plans on Tuesday. Yesterday ICI announced one of the largest restructurings of the European chemicals industry since the Allies broke up IG Farben at the end of the second world war.

Joe Rogaly

Mr Portillo's chance to write the script

Of the five junior ministers promoted to the cabinet on April 10, the one who has made the most dramatic start is Mr Michael Portillo. We will come to why in a moment, but first consider the also-rans.

The new employment secretary, Mrs Gillian Shephard, got her name in the papers when she secured a compromise deal on the European Community's plans to impose a maximum 48-hour working week. "In a word, we've won," she proclaimed, exhibiting a trace of the tendency to exaggerate so characteristic of her predecessor, Mr Michael Howard. She is becoming known to a small but widening circle of British and European officials for her fluent French and pleasant disposition. Yet she has not sought to advertise herself.

This befits the current status of her department. In the 1980s it was the scourge of the organised working class. Mrs Shephard will press ahead with just one more union-bashing bill, as promised in the Conservative election manifesto – but that apart, she says, the government's war against the trade unions is over. Now the employment department is becoming the fiscally hamstrung manager of Britain's training services – the head office that has to keep the training and enterprise councils happy while the Treasury keeps them poor.

Nothing dramatic there. Consider next the new Northern Ireland secretary, Sir Patrick Mayhew. He is not expected to succeed in his job. No Northern Ireland secretary ever is. Yet Sir Patrick seems to have made a breakthrough by persuading unionists, nationalists and the Irish government to sit in the same room with the British for talks on the future of the province. If he eventually produces a solution, such as an agreement that enables Northern Ireland to become self-governing, he would have pulled off a coup that all his predecessors since Stormont was dissolved in 1972 could hardly dream of. Then, in a fairy tale world, his reward might be promotion to home secretary. *If*, indeed.

Yet Sir Patrick does not seek the limelight. In his position that would be wrong. Mrs Virginia Bottomley, on the other hand, cannot help being a focus of public attention.

His pivotal job is to consult ministers and report back to Mr Lamont's new spending committee

Anyone in charge of the health service must be. She has the job because she has a sympathetic face, one that might convince a doubting public that the Tories really believe in the NHS, even while London hospitals with surplus beds are closed. Her recent white paper on healthy living, which set targets for the reduction of named killer diseases, was one means to this end. Mrs Bottomley is an over-conscientious minister who has yet to learn that there is a level of detail below which the head of a great department need not stoop. She has no great schemes to offer. She seems content to occupy herself with consolidation. She will do well if she makes the NHS reforms work and puts in place the new scheme for community care. It is a fitting task for a quintessential public servant.

Mr John Patten is ambition made flesh. He spent a decade aching for a cabinet post while others of his generation seemed to pass him by. Now that he has arrived the new secretary for education has taken to setting off firecrackers. One, of which I heartily approve, was the opening essay in this week's white paper, which the minister himself wrote. It sets out the principles of a rigorous approach to teaching in schools, with the emphasis on demanding that teachers must have high expectations. Terrific.

The second Patten firecracker aims to end local authority control over schools. A new funding agency, answerable to the secretary of state, will do the job instead. Mr Patten will be lucky if he gets moved from education before this dangerous new device blows up. Bits will constantly be added. One day it will explode, damaging the careers of those associated with it.

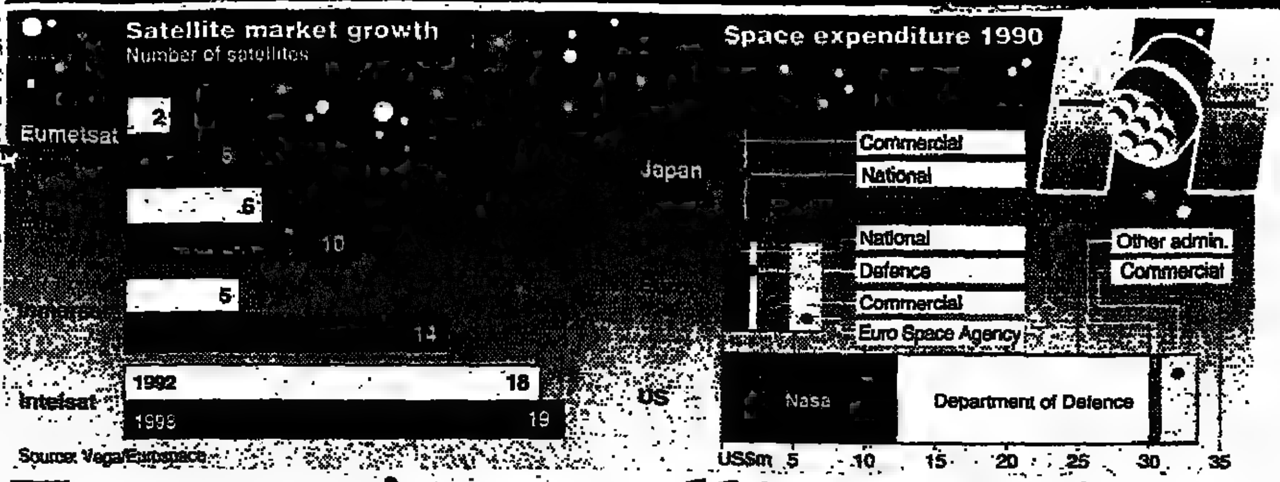
Of the above four, Mr Patten is the only one with brains enough to match Mr Portillo. Yet the latter is displaying that it is not a matter of being clever, it is more that you have to be clever in a particular way. As chief secretary to the Treasury, Mr Portillo is well-placed to influence the strategic thrust of government spending, both next year and in the medium term. His predecessors have had to harry and cajole spending ministers into compromises. Mr Portillo's job is quite different. He will write the script for the chancellor to approve.

It happened this way. After the election our new chief secretary opened the envelopes containing the initial bids from ministers and found claims totalling £14bn above the previously planned total spending of £244.5bn for 1993-94. He calculated that the average success rate of chief secretaries in clawing back similar demands was 30 to 40 per cent, which means that the overshoot next year would have been £8bn to £9bn. This would be too much even in a good year. In a year in which the Treasury's panic about the growth in government borrowing is tangible, it could not be allowed. There are various accounts of who first thought of last week's plan, which was to say at the beginning that £244.5bn would be the limit of spending, but Mr Portillo is the one whose job is changed.

It is he who will consult the spending ministers and report back to the chancellor's new expenditure committee. This puts the chief secretary in a pivotal position. He has the political sense to understand that he must be seen as the servant of the new system, not the master of departments, or, heaven forbid, as one who aspires to control the political balance of the governments' policies. So next week polite letters will go out asking each spending minister to say how plans (a) to, shall we say, (d) would affect their departments. Plan (a) would inflict equal cuts on everyone; subsequent options would vary as between departments. The chief secretary already knows what must be spent and what is at the margin.

Treasury officials expect what they call the "McEnroe response" – that is, "you can't be serious". Mr Portillo will then talk with each minister, after which he will prepare menus of options for the chancellor's committee, always faithfully recording the departmental position on each proposed reduction or increase. His own views will be in there, but they will not be identifiable. There will be room for appeal and the committee might change the mix of any Portillo menu. Yet the one that the chancellor sends to the full cabinet for ratification will be based on the chief secretary's initial work.

This new public spending mechanism is more rational, and more collective, than the old. It recognises that increases in one line must be matched by decreases in another. Make no mistake. The primary means by which the proposed new reasonable expression of the government's political will is to be realised is the writing hand of Mr Michael Portillo. Then the chancellor may exercise his greater power. But that is another story.



Europe's satellite makers are knocked out of orbit

US manufacturers have been able to achieve economies of scale, and undercut rivals across the Atlantic, writes **Daniel Green**

Europe's satellite manufacturers have been left languishing on the launch pad by US rivals which are establishing dominance over the rapidly expanding industry.

Over the past 18 months, only two of 27 international civil telecommunications satellite contracts went to European contractors. In Europe's deregulated satellite television market, six new satellites have been ordered, all American.

Abandoned by their customers, European companies are being forced to restructure. British Aerospace last month cut 600 jobs – about half the workforce – at its Stevenage satellite-manufacturing plant. This week, Deutsche Aerospace (Dasa) said it was interested in acquiring the satellite division, which has not won a new order since last year.

To succeed, Dasa will have to beat off the Matra-Marconi, a joint venture between GEC of the UK and Matra of France which has stalked BAe's space business since last year.

The Matra-Marconi alliance was itself created as a response to the "growing intensity of competition in space markets", says Mr Richard Wignall, its deputy managing director.

Dasa's German rival ANT, the space subsidiary of Bosch, has also been in talks to join forces with Matra-Marconi. But even a three-way alliance between BAe, Matra-Marconi and ANT would be only half the size of Hughes Aircraft, the General Motors subsidiary that is the world's biggest telecommunications satellite maker.

Even France, Europe's leader in space industries, has felt the pressure. Alcatel invested between $30m and $50m over the past three years in a new telecommunications technology – very small aperture terminals (VSATs), which reduce the size of dish needed for satellite communications. Earlier this year it abandoned the project, blaming US competition. Alcatel now plans to market VSATs made by Hughes.

The divergent fortunes on either side of the Atlantic are largely the result of the US military spending and other government contracts. This has provided a stream of orders and allowed US satellite makers to achieve economies of scale. They have thus been able to undercut European rivals by up to 40 per cent in contract tenders.

The size of the US industry and the importance of defence expenditure is clear in "Aerospace Alley", an area surrounding the offices of the United States Air Force Space Systems Division in El Segundo, central Los Angeles. The division is devoted to procurement and has an annual budget of more than $7bn. Total US government space spending is four times that figure, and six times the combined amount spent by Europe's governments.

Big money in US defence has created big companies. Hughes Aircraft, one of El Segundo's defence contractor, employs about 9,000 people working on a satellite order book worth about $3bn. It has the world's only mass production line for telecommunications satellites.

The defence contracts which fuelled the growth of Hughes and its El Segundo neighbours have so far remained secure in spite of cuts in US defence spending. In particular, long-term projects – such as the Defence Department's 24-satellite Global Positioning System which allowed General Norman Schwarzkopf to navigate across a featureless desert in the Gulf war last year – are yet to be completed.

Fears of a decline in military contracts however, have, pushed US manufacturers into the civil sector. "Four years ago, we did 85 per cent of our business with US government agencies," says Mr Steve Dorfman, president of Hughes Aircraft's Space Systems division. "Now it is nearer 50-50."

This shift in focus is visible across the US industry. TRW, another El Segundo satellite manufacturer, with annual sales of $3bn a year, is proposing to build a 12-satellite global mobile telephone network, while Motorola, the electronics and cellular telephone company, plans to put 77 miniature satellites into orbit to provide a similar service.

The US manufacturers' move into the civil sector is well timed. More civil satellite contracts are going to open tender and are not restricted to domestic manufacturers. The world market for civil telecommunications satellites, for example, worth about $8bn in the 1980s, will almost double in the next decade, says Euroconsult, the Paris-based space consultancy

Over the next few years, the biggest buyers on the open market are likely to be the international communications co-operatives, Intelsat, Inmarsat and Eutelsat. These organisations, owned by national telecommunications bodies such as British Telecom, Deutsche Bundespost and AT&T, provide most of the world's satellite telecommunications links. They owe no national allegiances, and are free to buy from anyone.

European manufacturers fear that this freedom will result in more orders for US rivals. In response they are demanding protective measures. Eurospace, their trade association, has called for a "comprehensive, collective space policy" in Europe to help "resist foreign domination". It seeks preferential treatment in international tenders from European satellite buyers.

But protection is unlikely to provide a solution. Import controls are out of the question because satellites do not legally cross any frontiers. Even if such a policy could be enforced, international telecommunications co-operatives remain free from obligations to buy from particular suppliers.

European satellite makers can rely on a trickle of orders from their own governments. British Aerospace, for example, is expecting to win a Ministry of Defence contract for the Skynet IV military communications satellite. And there would still be some subcontracting work for US-based companies: Inmarsat's latest generation of satellites is being built by GE-Astro of the US with Matra-Marconi making the radio equipment.

But for Europe's satellite industry this is survival in the second division and, in an industry where size is increasingly what counts, probably unsustainable.

The response from senior executives in many European satellite companies is to seek co-operation and alliances with their American rivals.

Some deals have already been struck. Alcatel and Aerospatiale of France, together with Alenia of Italy, last year paid $182m for a 49 per cent stake in Space Systems/Loral, the commercial satellite business of defence contractor Loral, the third-biggest US satellite maker.

Last month, Dasa, the aerospace arm of Daimler Benz of Germany, paid $57m for its own 12 per cent stake in Space Systems/Loral.

More alliances are likely to be formed over the next few years as European companies fight for a share of the growing market. For Mr Olof Lundberg, director-general of Inmarsat, they have little choice. "In Europe, there is clearly too much satellite manufacturing capacity. A restructuring is inevitable," he says.

Abandoned by their customers, European satellite manufacturers are being forced to restructure

OBSERVER

Harmony brewing

■ While blood is thicker than water, it's said, ale could be thicker than either. Or so it may prove, at least, in the case of Yorkshire brewing family the Theakstons, of the picturesque village of Masham, near Ripon.

Blood-ties did not prevent them from being riven in twain 10 years ago by a boardroom battle, leaving cousins Paul and Michael Theakston on opposite sides of the divide.

What caused the split was a Wars of the Roses bid for the family company by Lancashire brewer Matthew Brown, which eventually succeeded. Then in 1987 the company, with its Old Peculier brand, was acquired by Scottish & Newcastle.

Despite the continuing bad blood, both cousins joined the new owner. But Paul soon quit, declaring himself "unable to function" as an S&N executive. Next month, he expects to begin production at the Black Sheep Brewery he has set up over the past two years in Masham, a stone's throw from the old family plant, and so compete with S&N where Michael Theakston is now a director.

Far from widening the rift, however, the move seems to be bringing the cousins together as friendly rivals with the shared aim of making the village the real ale capital of north England.

"I admire what Paul is doing, and think there's room for both of us here," says Michael. "This is a great opportunity for us to try and establish Masham as the home of cask-conditioned ale."

Paul agrees, explaining that despite being a competing company, his brewery will produce a different beer. "The last thing I wish to do is to clone Theakstons," he adds. "I simply didn't want to leave Masham, and brewing is in the family blood."

Nice to think it's now running mild instead of bitter.

Dear John...

■ Whoever the political limelight has been falling on lately, it is certainly not Liberal Democrat leader Paddy Ashdown. So perhaps he's relying on not getting any publicity for his latest letter to John Major.

Addressing the plight of refugees from former Yugoslavia, Ashdown begins: "You were magnificent when, as chairman of the G7, you led the world in taking action on the tragedy of the Kurds."

With opponents like that, who needs friends?

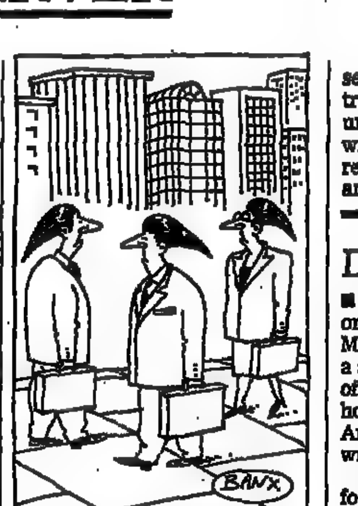
Bus queue

■ Sniffing out the individual winners and losers in the great ICI break-up is difficult.

Ronnie Hempel, the group's chief operating officer, is already over 60 and by the time he takes the helm of what's left of ICI, he will be less than a year away from the normal retirement age of 62. ICI chairman Sir Denys Henderson gets to be chairman of both bits of his empire, but since he collects his bus pass in October, he is also not going to be around for ever.

David Barnes is an obvious winner in the short term. He will be chief executive of ICI Bio, the most exciting part, and since he is only 56 he has a few years to get the feel of the helm of an independent company. However, apart from him, it is far from clear who is going to emerge in glory.

The problem with ICI is that most of its senior management is getting on a bit. David Friend, chief executive of the



pharmaceutical side, and his counterpart at speciality chemicals Rodney Brown are both 57, which is also the average age of the main board executive directors. One man to watch, however, is 45-year-old Rob Margetts, who has restructured ICI's Tioxide business. He joins the ICI board next month and has already picked up his first outside non-executive directorship on Andrew Teare's board at English China Clays.

Highest bid

■ When it comes to bitter corporate rivalries, it is hard to beat Sotheby's and Christie's battle for dominance of the world's art market.

For the last 30 years Sotheby's has made all the running. But now Christie's is fighting back and claims to have 49 per cent of the global market – its highest share since the 1950s. This has provoked Sotheby's to apoplexy and the claim that Christie's has inflated its figures by the inclusion of private sales.

Sotheby's reckons it is still number one and is confident of stretching its lead next season by selling off the art treasures of Germany's Thurn und Taxis family. The trouble with such backbiting is that reputations as well as margins are suffering.

Dying fall

■ For all his knowledge about original sin, Bishop Michael Marshall has been snared by a sin whose origins he wot not of. As a result, he has arrived home from running an Anglican mission in the US without his treasured piano.

On applying to Washington for an export licence for the instrument, he was told that since it had ivory keys, he must specify where the sin of killing the elephant they came from had been committed.

As he didn't know, the licence was refused. And when his secretary protested, the bureaucracy's only reply was: "The bishop should not have bought a piano with ivory keys."

Treble trouble

■ Guess the profession of Ian Cartwright who, having been the sole partner in his Godalming practice since 1986, is appointing two more tomorrow and so trebling the number of partners.

He calculates that if he trebles them up again on Sunday, and goes on expanding at that same rate every 24 hours thereafter, he'd have to stop on August 21. The reason is that he would then have in partnership the entire population of the globe.

Wouldn't that be an interesting world to live in, he asks. But some readers, at least, may doubt it.

As all of his partners must belong to his own profession, the whole damn lot of us would have to be actuaries.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Rigour key to team briefing

From Mr Andrew Lambert.

Sir, Your article "Team briefing has little effect on commitment" (July 27) on research sponsored by the Department of Employment – covering 25 companies – suggested that team briefing and related initiatives were having little positive effect on employee commitment and understanding.

In a comprehensive study covering 87 major companies – to be published next week – we establish that it is the way team briefing practices are shaped and implemented that determines their success. As Tom Lehrer said when comparing life with a sewer, "what you get out of it depends on what you put into it".

It is clear from our research that there are certain key disciplines and parameters to be applied in devising and managing these critical internal communication systems, which it would appear a majority of companies are not using sufficiently rigorously. The answer ultimately lies in the management, not the mechanism.

Andrew Lambert,
managing director,
Lambert Consultancy,
50 Riversdale Road,
London N5 2JT

Cadbury presumptions on role of directors challenged by IoD

From Mr Peter Morgan.

Sir, Your readers would be misled were they to assume from your report ("CBI and IoD attack corporate governance reform plan", July 30) that this institute's only reservation about the Cadbury report was its proposal to "give non-executive directors a special function within boards".

The IoD's prime concern is that the report focuses on the accountability of directors and boards almost without reference to their main function.

Our definition of the objective of good corporate governance is to ensure that companies survive and thrive, and that they conduct their affairs with ethics and integrity.

The Cadbury report was strong on integrity, but it did not address the challenge of surviving and thriving, nor the qualities that directors and boards of directors need to discharge all their duties.

It is, therefore, the Cadbury Committee's concept of the role of directors, boards of directors and the part played by shareholders and owners of companies about which the institute has the strongest reservations and about which we believe the report produces a distorted picture of corporate governance.

The report sends out the general massage that there should be two groups on the board of directors – the doers and the checkers. It is the presumption that directors require assistance in how to run companies which the IoD believes should be reversed.

Shareholders and auditors do have a role in relation to the conduct of a company, but the running of a company – setting the strategic direction, ensuring its implementation, supervising management and providing information regarding its affairs to those entitled to it – is determined by a unitary board in the boardroom and nowhere else.

Peter Morgan,
director-general,
Institute of Directors,
116 Pall Mall,
London SW1Y 5ED

Conclusions confirmed about performance-related pay

From Mr Michael Cannell and Dr Stephen Wood.

Sir, Correspondence on performance-related pay sparked by your reporting (Management, July 20) of work on incentive payments which we carried out for the National Economic Development Office and Institute of Personnel Management confirms two of our key conclusions.

First, it is increasingly important to separate bonus payments relating to the achievement of agreed objectives from bonuses (much less likely now) which relate to the buoyancy of particular markets. To do otherwise risks sending entirely the wrong signals to employees.

Second, many managers assert that PRP works, but few can prove that it does because hardly any organisations have effective monitoring arrangements. The best employers test to see that pay systems are having the desired effect.

What we are seeing now is a growing questioning of PRP, in many cases because systems were installed without sufficient consideration. Those who are having problems should find out why their system does not work before they abandon it. The pay system may be wrong but it could just be the management system in which it sits. Too many expectations should not be placed on to payment schemes.

Michael Cannell,
manpower adviser, NEDO,
Stephen Wood,
senior lecturer,
department of industrial relations,
London School of Economics

Power prices probe needed

From Mr Andrew Cook.

Sir, I was glad to read your report "Regulator to probe power prices" (July 28).

In common with all major industrial users I hope his probing is more vigorous than previously and has a longer term effect.

It is quite clear that the generators are once again manipulating the market. I can indeed confirm your report of the amount of the increase, there having been a rise in pool prices from 1.998p to 2.364p since February. This is a rise of 20 per cent, and only six months after the generators last had their knuckles wrapped by the regulator for exactly the same malpractice. One is bound to question the effectiveness of the regulator's control over them.

For industry to be facing any increase in power costs in these deeply recessionary times is outrageous. Until the whole question of electricity supply is investigated by the Monopolies and Mergers Commission I believe the situation will continue to be very unsatisfactory.

Andrew Cook,
chairman,
William Cook,
Parkway Avenue,
Sheffield S9 4WA

Classical architectural tradition in a contemporary situation

From Mr Richard Burdett.

Sir, As director of The Architecture Foundation I am writing to voice our disagreement with Colin Amery's comments (Architecture, July 20) in the last paragraph of his article.

In selecting the buildings and projects featured in the "City Changes" exhibition, the Architecture Foundation – whose trustees include two eminent architectural historians, Mark Girouard and John Harris – was anxious to choose buildings of quality. A broad range of projects with a variety of architectural styles – 21 in all – was included. One of our trustees consulted Mr Amery for suggestions and he brought to our attention an accomplished example of modern classicism which is, in fact, featured in the exhibition.

Many respected historians and practising architects believe that the classical tradition, so endlessly rich and flexible, could be as relevant today as it ever has been. But it needs an intelligent and creative re-thinking to meet the contemporary situation. It seems to us that too much of the Paternoster scheme, at its last showing, is weakly derivative and lacks the quality that a site of such national importance merits.

Richard Burdett,
director,
The Architecture Foundation,
The Economist Building,
30 Bury Street,
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FINANCIAL TIMES
Friday July 31 1992

Former US politician remains defiant in face of fraud allegations

Clifford 'deceived' over BCCI

By Jurek Martin in Washington

MR Clark Clifford said yesterday there was "not one scintilla of direct evidence or proof, either oral or in writing" that he had committed any crimes in connection with his stewardship of the Washington bank holding company alleged to have been secretly acquired by the Bank of Commerce and Credit International.

The defiant 85-year-old former secretary of defence was responding to indictments brought on Wednesday accusing him of fraud, bribery, conspiracy, larceny and racketeering. He attacked "a gross unfairness in the manner in which the publicity about a criminal proceeding is brought."

"The indictments are filed, the next day the papers are filled with the government's charges and then, after a mere denial by the defendant, weeks, months and sometimes even years go by before you ever get to hear about what the defence is in this case," he declared.

Eschewing this passive response, Mr Clifford denied that he and his co-defendant, Mr Robert Altman, his law partner, "were overwhelmed by the nature of the publicity this morning." He would fight the charges "as long as I have the strength and health to do it." Mr Clifford's lawyer reported that his clieent's doctor had warned: "He may not live very long."

Mr Clifford claimed his lawyers had learnt "that neither the district attorney in New York nor the Justice Department in Washington has any direct, credible evidence of our participation in any wrongdoing."

He then detailed his version of his 13-year relationship with the group of 14 Middle East investors who had sought control of Financial General, the bank holding company whose name was later changed to First American Bankshares.

Clifford Clark leaves federal court in New York after his and Robert Altman's indictment

He directly addressed the nature of the relationship with BCCI. Nowadays, "any time anyone mentions anything about BCCI, it's like mentioning Aids."

But in 1982, when the bank takeover took place and he was persuaded to become its chairman, BCCI was a respectable international financial institution, "vouched for" by the Bank of England, audited by Price Waterhouse, and with a 30 per cent minority shareholding held by Bank of America, then "the largest and most respected" US bank. "I am saying we accepted them then for what they were. We were deceived."

Nor, at the time, did he have any reason to distrust Mr Agha Hasan Abedi, BCCI's ailing founder. In the 3½ years before the bank purchase, "I had gotten to know Abedi well. Commitments he had made at various times he had always kept. He seemed to be what he pretended to be."

At no stage before the BCCI denouement, Mr Clifford said, did he know that his bank was controlled by BCCI. He dealt with it mostly as a matter of practical convenience because it was easier to correspond with BCCI and Mr Abedi than with the 14 individual investors.

Mr Clifford also flatly denied he had made any illegal profits. For years he had only drawn a salary of $50,000 a year, while a local rival bank chief was earning as much as $1.5m. The stock options he had acquired in 1986 and sold in 1988 for an after-tax gain of $2.6m went through all the legal processes and were fully reported to the tax authorities.

Meanwhile, on Capitol Hill, Senator John Kerry of Massachussetts charged that the government of Abu Dhabi was refusing to co-operate with the US investigation of BCCI, contrary to an earlier commitment.

French to block EC plan for VAT

By Andrew Hill in Brussels

FRANCE has decided to block adoption of this week's provisional accord on EC value added tax and excise duties rather than upset its farmers before the September referendum on the Maastricht treaty.

The British presidency of the EC had hoped to break down outstanding French objections to Monday's deal by midnight last night. But France said yesterday it would not abandon its demand that EC members should impose a tiny "control levy" on their wine producers and needed more time to discuss the issue.

According to French officials in Brussels, France's nominal duty of Ecu3 – about $4.10 – per 100 litres of wine helps it monitor the quality of wine production. The small amount of administration involved means wine-growers have to operate in a reasonably businesslike way. France is alone in wanting the same system to apply to countries such as Germany and Italy, which under EC proposals could continue to exempt their wine from duty.

The French stand appears to be based on a point of principle and on a desire to avoid aggravating tense relations with its farmers before the September 20 referendum. French wine-growers are said to be worried about imports of low-quality "unmonitored" wine from Italy, for example.

Monday's late-night meeting of EC finance ministers came within a hair's breadth of the required unanimous agreement on a complex package of eight indirect tax directives all of which require the unanimous approval of member states. The French stand will delay formal adoption of Monday's breakthrough deal until the next meeting on September 28.

A legally binding agreement on indirect tax – including a minimum standard VAT rate – is regarded as a prerequisite for the barrier-free single market.

Although British officials said they were disappointed and "flummoxed" by France's intransigence yesterday, they do not believe it will put the whole package at risk or delay the lifting of frontier controls on January 1 1993.

"I think we would all look a bit foolish if the whole deal were to break down over Ecu3 a hectolitre of wine," said one UK official yesterday.

France also has reservations about the proposed minimum duty on mineral oils, which it believes is too low, and about plans to allow Germany and the Netherlands to maintain reduced rates of VAT for flowers and other agricultural products.

Reduced rates were lifted in France last year on the understanding that other EC member states would have to follow suit. French objections on these points are less fundamental than its call for an EC-wide wine levy.

The dispute between Britain and Spain over the taxing of sherry is also unresolved, despite further bilateral talks yesterday. Spain wants Britain to bring the duty on British sherry in line with that on the Spanish product, which is taxed more heavily because it is more alcoholic.

Hopes rise for S African breakthrough

By Michael Holman in Johannesburg

HOPES of a breakthrough in South Africa's political stalemate rose yesterday with the news that government and African National Congress officials held talks arranged by Mr Cyrus Vance, the visiting US envoy.

Mr Cyril Ramaphosa, the ANC secretary-general, said the two sides had met to discuss the release of remaining political prisoners, one of the key conditions for the resumption of constitutional talks.

The news came as Mr Pik Botha, the foreign minister, announced that the government had "no objection to the presence of impartial and objective observers" from the United Nations as monitors of the next week's two-day general strike. The government move, supporting a proposal made earlier by Mr Nelson Mandela, the ANC president, will help ease the tension likely to surround a week of industrial action intended to force the speedy transition to a majority rule government.

Mr Ramaphosa said Mr Vance, who leaves Johannesburg today at the end of his 10-day fact-finding visit, had "facilitated contact between the ANC and the government to ensure the release of all remaining political prisoners."

The government delegation at Tuesday's meeting was led by Mr Botha; Mr Thabo Mbeki, director of international affairs, led the ANC team. It is the first official meeting since the ANC pulled out of all negotiations in the aftermath of the Boipatong massacre on June 17.

More than 400 political prisoners were still being held in South Africa and the homeland territories, Mr Ramaphosa said. "A further meeting is scheduled for the near future", he said, adding that the ANC expected the prisoners to be released before Mr Vance's departure this evening.

Mr Vance, who met President F.W De Klerk in Pretoria yesterday for the second time, told reporters afterwards that he hoped to report to Mr Boutros Boutros Ghali, the UN secretary-general, next week. Mr Vance said he believed existing structures could be used to help solve the country's problems.

Mr Ramaphosa said that a "hitch" had arisen as the result of the non-arrival of a "communication" from Mr Kobie Coetsee, the justice minister. But he understood that Mr Vance had raised the problem at his meeting yesterday with Mr de Klerk.

Wellcome to offer share options worldwide

By Maggie Urry in London

WELLCOME, the UK drugs group, has launched an employee share option plan which it claims is one of the most ambitious international schemes ever produced.

Employees in 26 countries will be given options to buy 500 shares each in Wellcome at 772p ($14.74) a share. That compares with a price of 800p at which the Wellcome Trust, the medical charity, sold 270m shares this week.

Employees can exercise their options after three years and up to 10 years' time. The plan applies to around 15,000 of Wellcome's total of 18,500 employees. Companies which have set up international schemes usually only apply them to senior executives.

Its innovation lies in making the scheme tax efficient to employees working in widely different tax regimes. In the UK the options are being granted under the 1984 Finance Act, making them income tax-free.

Even so there were some countries where it proved impracticable to launch the offer, although Wellcome is pursuing other methods to give options to employees in those countries. Mr Neville Machin, Wellcome's group employee relations manager said.

An employee share option trust which has been set up acquired 400,000 shares in this week's sale.

However, if the options are exercised in full, the company will have to issue about 7.5m shares, worth about £58m at the 772p price. In some countries it is more tax efficient to satisfy options from existing rather than new shares.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
				Boulogne	S	21	70	Frankfurt	S	31	88	Majorca	S	30	86	Oporto	F	27	81	Tenerife	S	27	81
				Brussels	S	29	84	Geneva	S	29	84	Malaga	S	29	84	Oslo	F	20	68	Tokyo	S	33	91
				Budapest	S	27	81	Gibraltar	F	27	81	Malta	S	32	90	Paris	S	33	91	Toronto †	F	13	55
Ajaccio	S	31	88	Buenos Aires	C	10	50	Glasgow	C	16	61	Manila	C	32	90	Prague	S	29	84	Tunis	S	34	93
Algiers	F	35	95	Cairo	S	31	88	Helsinki	S	22	72	Melbourne	R	14	57	Reykjavik	S	10	50	Valencia	S	30	86
Amsterdam	S	25	77	Cape Town	S	17	63	Hong Kong		–	–	Mexico City	C	19	67	Rhodes	S	31	88	Venice	S	29	84
Athens	S	31	88	Caracas	R	26	81	Innsbruck	S	29	84	Miami †	S	26	79	Rio de Janeiro	C	28	82	Vienna	S	29	84
Bahrain	S	36	97	Casablanca †	F	24	75	Inverness	F	15	59	Milan	S	31	88	Rome	S	32	90	Warsaw	S	27	81
Bangkok	R	30	86	Chicago †	F	18	64	Islamabad	C	27	81	Montreal †	S	15	59	Salzburg	S	31	88	Washington †	C	22	72
Barcelona	S	27	81	Cologne	S	28	82	Istanbul	F	26	79	Moscow	F	20	68	S'Francisco †	C	14	57	Zurich	S	30	86
Beijing	S	31	88	Copenhagen	F	21	70	Jakarta	C	33	91	Munich	S	31	88	Seoul	Dr	26	79	Temperatures at midday yesterday			
Beirut	F	27	81	Corfu	S	32	90	Johannesburg	F	13	55	Nairobi	F	22	72	Singapore	R	28	82	† Noon GMT temperatures			
Belfast	F	17	63	Dallas †	F	27	81	Lisbon	S	28	82	Naples	S	34	93	Stockholm	S	20	68	C – Cloudy Dr – Drizzle			
Belgrade	S	28	82	Dublin	F	19	66	London	S	25	77	Nassau	C	29	84	Strasbourg	S	33	91	F – Fair Fg – Fog H – Hail			
Berlin	S	29	84	Dubrovnik		–	–	Los Angeles †	C	18	64	New Delhi		–	–	Sydney	S	22	72	R – Rain S – Sunny			
Biarritz	S	29	84	Edinburgh	C	16	61	Luxembourg	S	29	84	New York †	C	23	73	Taipei	F	34	93	Sl – Sleet Sn – Snow			
Bombay	F	29	84	Faro	S	25	77	Madeira	S	24	75	Nice	S	30	86	Tangier	F	25	77	T – Thunder			
Bordeaux	S	27	81	Florence	S	33	91	Madrid	S	30	86	Nicosia	S	29	84	Tel Aviv	F	30	86				

THE LEX COLUMN

ICI does the splits

ICI's demerger plan is a splendid example of how a supposedly hidebound management can be rendered nimble by a sense of threat. The two new companies would not be obvious takeover candidates, since one would be on a drug company p/e and the other would consist of cyclical commodities. At the same time, the bulk of the group's cash would presumably go to the commodities side, leaving the drug side to replace it by a rights issue. ICI would thus achieve the rather neat trick of raising equity for the group as a whole on a drug company multiple.

Or perhaps not quite. As a drug company, ICI suffers the not unfamiliar problem of having a blockbusting product going off patent with not very much in the pipeline to follow. The proposed drug company would also derive a fifth of its profit from agrochemicals, only deserving a high multiple on the doubtful premise that the GATT will never make much headway in curbing agricultural subsidies.

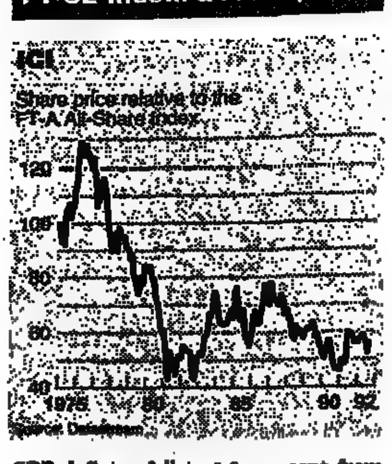
All the same, the drug side might conceivably be worth 15 times this year's earnings, or around 750p per share. The commodities business is more problematic, since applying a multiple at any given point involves an assumption about where that point is in the chemicals cycle. One very rough measure might be as follows. The historic peak in trading profits from commodities was £1bn in 1988. Assume the trough comes this year at around £280m. Take the mid-point, assume a conservative dividend cover of 3 times and a 5 per cent yield, and the result is some 450p per share. That gives a total of 1200p – pretty much where the shares closed last night.

The real question is how far demerger would affect the valuation thereafter. There is room for scepticism. The divisional barons would split into two teams, lodged in the present head office under the present chairman. For shareholders, the demerger plan offers a welcome diversity of opportunity. How radical it proves in operational terms is a more open question.

US economy

Yesterday's second quarter growth figures from the US are less depressing than they seem. Economic expansion may have slowed to an annualised rate of 1.4 per cent during the second quarter from 2.9 per cent in the first, but that is history. More important for the future is the news on prices. Inflation as measured by the

FT-SE Index: 2411.6 (-11.6)



GDP deflator fell to 1.6 per cent from 3.6 per cent. That should help keep long-term interest rates under downward pressure, at least once the forthcoming quarterly government refinancing is out of the way.

The 8 per cent jump in new home sales during June also needs to be taken with a pinch of salt. It is often erratic as an indicator, but it does suggest lower long-term rates are again helping the housing market by making mortgages cheaper. UK homeowners may turn green with envy at the thought of 30-year mortgages being available in the US at a fixed rate of less than 8 per cent. But that is the stuff on which recovery feeds.

Midland Bank

Midland's figures are of less immediate interest to the stock market now it is part of the Hongkong Bank group. But as the first of the interims from the big four clearers, they shed some light on the sector as a whole. HSBC investors also have a particular interest in Midland's long-term recovery prospects: the group will need a steady flow of UK profits if dividends are to be paid without incurring a large bill for unrelieved ACT. Yesterday's results offer little encouragement on either score.

Bad debt provisions fell by 5 per cent on last year's second half, but the drop was largely due to the personal sector. Things have not improved on the corporate front and management is outspoken in its gloom about the economic outlook. More worrying still is that operating income fell even faster – at 4 per cent – than the 2 per cent rate at which the bank managed to cut its costs. Doubtless Midland suffered some loss of business during the recent bid battle. Yet part of the income problem is generic: witness its admission that the recession has produced a drop in such a basic service as money transmission.

Midland's ambition of increasing its share of a stagnating market is natural in the circumstances, but one wonders where it will lead. It is certainly not about to embark on a foolhardy lending spree. It aims to win business by offering improved service without sacrificing margin. In the end, though, it is bound to come up against other institutions with similar objectives. The banks have recently shown they can prise mortgage lending business away from the building societies. Sooner or later they will be at each other's throats. The battle may not be as gentlemanly as Midland now apparently believes.

Harrisons & Crosfield

Having spent the late 1980s liberating itself from the vagaries of the commodities markets, Harrisons & Crosfield is now shackled firmly to the UK industrial cycle. Even so, thank heavens for plantations: the lion's share of yesterday's 12 per cent increase in pre-tax interim profits derived from the price of palm oil. Small contributions came from chemicals and building supplies as costs were cut, but this was also the story in 1990 and 1991. It is doubtful whether much more can be squeezed from the mainstream businesses without a sustained economic upturn.

With capital expenditure still running at £65m a year, the best that can be said is that H & C should be positioned to benefit from any cyclical upturn. The group appears willing to hold the full year dividend even if it is again uncovered. Forward sales of palm oil at least offer a source of known income in the second half, although the company may not be so lucky thereafter.

Yet even with an unexpectedly strong recovery there may be little scope both to raise the dividend and rebuild cover. Without an improvement in UK earnings, an increasing proportion of overseas profits will disappear into the coffers of the Inland Revenue. The UK tax charge increased by a third this time as additional ACT went unrelieved. At 135p the shares are on a historic yield of 9.7 per cent, but those who took up the 1990 rights at 137p must be feeling disappointed.

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COMPANIES & MARKETS
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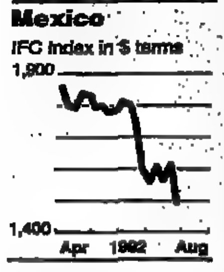
INSIDE

UAL signals cost cuts as losses continue

UAL, parent of United Airlines, joined its two big US rivals in reporting a large loss for the second quarter of 1992, and warned it expected poor results for the balance of the year. The carrier also hinted that further cost-cutting measures might be implemented. Page 20

Mexico's stock market revives



Mexico's stock market has finally received the good news it needed: second-quarter results were better than expected. But the market is not yet out of the woods: Consumer goods companies did poorly, reflecting slow growth in personal incomes. And the political and economic situation in the US is likely to hang over the market until the US presidential election. Back Page

Sluggish path to Russian oil

Russian government officials have been lamenting the slowness of foreign companies to invest in their energy industry. However, many companies could give a long list of reasons for their reluctance. Page 30

Uni Storebrand power struggle

The top echelons of Uni Storebrand, Norway's biggest insurer, have been in turmoil since the departure of the company's president and chief executive, Mr Jan Erik Langangen (left). Now some of its biggest shareholders want power to be transferred to the board from the executive administration. Page 20

Tables turn for Lasmo

Last December, Lasmo was the toast of the City of London after pulling off its audacious £1bn ($522m) takeover of rival oil company Ultramar. Seven months later it has watched its shares plummet, and is now at the centre of bid rumours itself. Page 23

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Altana Ind	500	+	11.5
Hoechst	242.7	+	5.2
Falls			
Aachen Mch Rig	670	–	25
Allianz AG	1872	–	79
Colonia Konz Pf	480	–	20
Rheinelektra	345	–	14

NEW YORK ($)

Rises			
Equimark	$6\frac{5}{8}$	+	$1\frac{1}{8}$
ICI	$89\frac{1}{2}$	+	$5\frac{3}{8}$
UAL	113	+	$2\frac{1}{2}$
Falls			
Alliant Techsys	$20\frac{1}{2}$	–	$2\frac{5}{8}$
Integra	$36\frac{1}{2}$	–	2
McCaw Cellular	$26\frac{3}{4}$	–	$\frac{7}{8}$

New York prices at 12:30.

PARIS (FFr)

Falls			
AGF	430	–	16.9
Axa	808	–	[illegible]
CGIP	1007	–	48
Intertechnique	700	–	25
[illegible]	179.1	–	8.9
Saint Gobain	545	–	[illegible]

TOKYO (Yen)

Rises			
Aek	405	+	36
Chiyoda Fire	654	+	46
[illegible]	819	+	58
Nippon Piston	391	+	[illegible]
Nitto Chemical	380	+	30
Falls			
CMK	1470	–	160

LONDON (Pence)

Rises			
Br Aerospace	208	+	11
Dale Electric	79	+	5
Dowty	163	+	7
Fisons	173	+	10
Gibbs Mew	168	+	30
Harrisons Cros	134	+	6
ICI	1171	+	76
Micro Focus	1715	+	45
Unitech	144	+	6
Falls			
Bt'dge Pope A	69	–	6
Euro Disney	908	–	32
Greycoat	24	–	3
Hammerson A	213	–	20
Kwik-Fit	$104\frac{1}{2}$	–	$6\frac{1}{2}$
MEPC	226	–	17
Marks Spencer	311	–	6
KSM	24	–	5
Novo Grp	47	–	14
Proteus	316	–	[illegible]
RMC	499	–	12
Tesco	248	–	11
Vibroplant	81	–	7

BMW posts 10.5% rise in weak market

By David Waller in Frankfurt

BMW, the German luxury carmaker, yesterday reported net profits up 10.5 per cent to DM421m ($277m) in the first half of the year. Against a backdrop of difficult market conditions in Europe and elsewhere, turnover climbed 12 per cent to DM16.2bn and the number of cars sold rose 15.4 per cent to 300,367.

In the first half, it produced 313,000 cars, 19 per cent more than a year ago. The company predicted the rate of growth would slow in the second half but said that it would probably be able to manufacture and sell more cars and motorbikes during 1992 as a whole than last year, when car output totalled 553,000 units.

BMW attributed its strong performance in the six months to its new 3-Series model which, the company said, had enjoyed widespread success in all markets. This had helped BMW increase its car sales by 30 per cent in the US, to 31,000 models, and maintain its sales in Japan at the same level as last year in spite of sharply deteriorating conditions.

BMW said a lasting recovery in the world car market could not be expected this year due to the uncertainty surrounding economic recovery in the US and Japan. Conditions in Europe – and especially Germany – would remain weak because of high interest rates.

It planned to invest DM500m in the first stage of a plant in South Carolina which, the company said, would strengthen its international competitiveness, secure jobs and reduce its vulnerability to fluctuations in the US dollar.

BMW's new car registrations in Europe rose 12.5 per cent to 240,000 units – against the trend of the market which shrank 1 per cent in the first half of the year.

● Mercedes-Benz, the luxury car subsidiary of Daimler-Benz, Germany's largest industrial company, has signed letters of intent to set up joint venture production facilities in Kazakhstan, Uzbekistan and Turkmenistan.

Mr Werner Niefer, chief executive, said he had arranged the sale of a large number of Mercedes vehicles in all three countries. Mercedes wanted to build a truck assembly plant in Turkmenistan and he said Uzbekistan was interested in establishing a joint venture to manufacture cross-country vehicles.

He said he would also visit Mr Boris Yeltsin, Russia's president, at the end of next week to negotiating joint ventures in Russia.

Midland warns of soft recovery

By Robert Peston in London

ANY recovery for the UK banking industry will "feel much like recession", Mr Brian Pearse, chief executive of Midland Group warned yesterday.

However, his bank, recently acquired by Hongkong Banking Corporation, has returned to profit in the half year to June 30. It made a pre-tax profit of £89m, ($170m) compared with a £71m loss in the comparable period. But the profit in the most recent half is less than the £107m before tax made in the second half of 1991.

Mr Pearse also gave details of the group's new management structure and said that, as part of the Hongkong Bank, Midland would push to increase its share of the UK banking market.

The regional structure for UK branch banking is being changed to devolve greater management power to new regional units.

The effects of the recession on Midland have altered in the past few months. The charge for bad debts has fallen from £530m to £355m. However, this has been partly offset by a 5.1 per cent drop in group income to £1.59bn. Midland's customers have been making fewer banking transactions, reducing fees and commissions paid, and the bank has also cut the volume of loans.

Mr Pearse said the fall in the bad debt charge was largely due to an improving trend for personal customers. The corporate bad debt charge of £249m was only £1m less than in the second half of last year, and was mainly attributable to small companies.

The property and construction industries suffered most, contributing 34.3 per cent of the total corporate charge.

Mr Pearse did not expect a rapid improvement in bad debts. He said the number of companies looked after by the bank's "intensive care unit" had fallen during the past six months. But he said that "those in intensive care are in a worse state than before".

He also said: "When recovery comes, it will not feel much different from recession." He expected companies to collapse in the early stages of recovery, and was concerned that customers would spend less and borrow less.

Midland is not paying a dividend, because of the transfer of ownership to Hongkong Bank. Its shares will, however, continue to be traded for a short while and yesterday they closed unchanged at 467p.

Midland changes, Page 23
Lex, Page 14

Walbrook salvage plan rejected by creditors

By Andrew Jack in London

WALBROOK INSURANCE, the insolvent subsidiary of London United Investments which stopped paying claims at the end of May, has narrowly failed to gain approval from its creditors for a proposed package to stave off liquidation.

The collapse of the agreement leaves the directors few options in their struggle to remain in control of the company and keep it out of the hands of provisional liquidators.

During the 1980s Walbrook was one of the leading insurers and re-insurers of US liability business in the London market, specialising in covering US doctors, hospitals, accountants and lawyers, and their insurers, against legal awards for negligence.

A statement issued yesterday by Mr Eric Lowry, managing director of Southwark Run-Off Services, which has taken over responsibility for the remaining operations of Walbrook, said: "The level of support for the directors' proposals, while encouraging, was insufficient to continue developing the plan even though the number of those replying adversely was small."

The statement was issued after a board meeting earlier this week and followed a deadline last Friday for the scheme to receive non-binding approval from sufficient creditors to cover net liabilities and a safety margin totalling £270m ($516m).

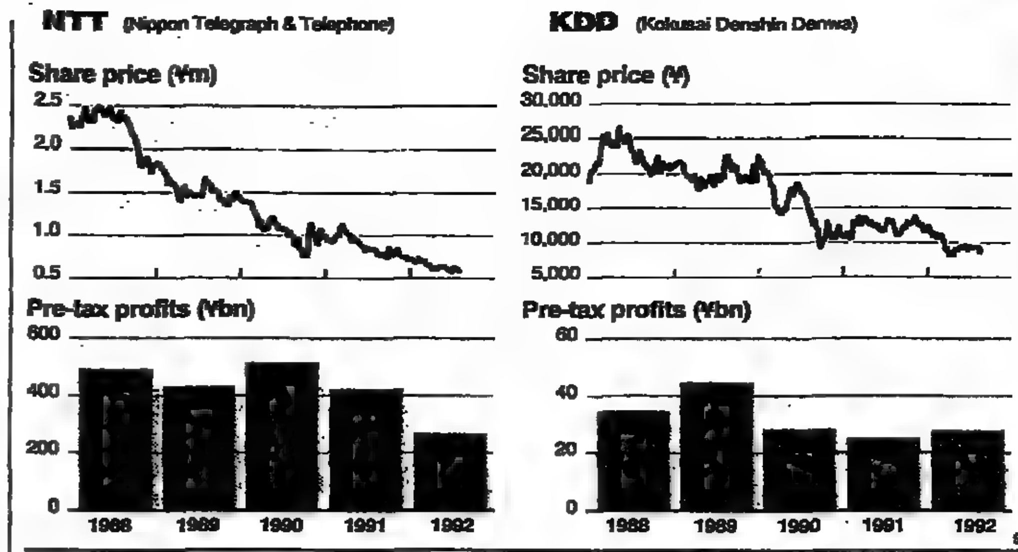
The 200 major policyholders owed more than $1m each in outstanding claims were asked to accept a plan which would have left the directors to run an informal plan of arrangement. They would have received a 100 per cent dividend but immediately returned 60 per cent in exchange for redeemable preference shares. Other creditors would have been paid in full.

However, some creditors, including Transit Casualty, a Missouri-based insurance company which went into receivership in 1985, argued that provisional liquidation would be quicker and cheaper.

The three directors – Sir Ian Morrow of Hambros, Professor Ian Percy of accountants Grant Thornton, and Mr Bill Goodier of Janson Green – were said to be considering their position yesterday. None wished to comment.

It is understood they may still attempt to create a scheme of arrangement under Section 425 of the 1985 Companies Act, which would allow them to remain in charge of Walbrook.

However, the scheme will need to be approved by 75 per cent of creditors by value, and it is likely that Walbrook will be forced to appoint a provisional liquidator. A winding-up petition brought by Transit is to be heard in the High Court on Tuesday.



Japan offers slice of inaction

Gordon Cramb reports on two telecoms stocks now open to foreign ownership

Japan will from tomorrow offer foreign investors a rare opportunity: the right to own the worst performing stock of recent years in the Nikkei index of the country's 225 biggest listed companies.

Nippon Telegraph and Telephone (NTT), the domestic telecommunications group, came to the market five and a half years ago in a partial privatisation. Foreigners were barred from direct shareholding and Japanese flocked to the issue.

Nearly 1.7m individual shareholders are now holding stock which soon after its debut traded at Y3.18m ($25,000) apiece, but then fell to stand yesterday at Y595,000, half the price at which the initial tranche was floated.

Its fall has been longer and deeper than that of the market as measured by the Nikkei, which after a further rally yesterday stood 60 per cent below its December 1989 peak.

However, because of the high initial asking price, NTT still trades on a premium price/earnings ratio of a prospective 70, about double that for the market as a whole.

The importance of NTT lies in its sheer size. With annual revenues equivalent to $50bn (it dwarfs all world telephone companies except AT&T.

Its market value is a still towering Y9,282bn and is thus a key component of the Nikkei average. Anyone hoping to build a portfolio matching the Tokyo market would need their quota of NTT.

Foreigners have long held shares in NTT – and in Kokusai Denshin Denwa (KDD), the smaller international telecoms carrier, ownership restrictions on which are also being lifted from August 1. They have merely held them in unregistered form. Tomorrow's changes, which allow a maximum foreign holding of 20 per cent in each, will have two main consequences for overseas investors:

● In registering their holdings they will be able to collect the annual dividend. This had been no great loss anyway – Japan's payout ratio is low and in the case of NTT, the Y5,000 per share annual distribution represents a yield of around 0.8 per cent.

Some foreigners are said to have circumvented the restrictions by opening nominee accounts with Japanese securities houses, which would hold the shares under the brokerages' name and pass on the dividend with fees deducted.

● More importantly, the deregulation will allow holding of the shares by institutional funds previously prevented by law – as in the US and some European countries – from buying stock which they could not register. Analysts still suspect, however, that many of those which wanted an exposure to NTT would have found their way around the barrier.

Anyone hoping to build a portfolio matching Tokyo's market would need their quota of NTT

There are few signs of pent-up buying enthusiasm from abroad. At Nomura Securities, Japan's biggest stockbroker, an official says "hopefully the NTT share price will go up" but adds: "I think there won't be much buying demand."

Mr Masashi Kojima, NTT president, said that he had met some US investment bank chairmen whom he thought regarded it as "an interesting company for the medium-term". "I get a feeling… that foreign investors have a big interest in NTT stock."

Any "medium-term" view would have to take account of the uncertain outlook for the Tokyo stock market as economic slowdown sets in, and also the effects of increased competition on the companies' earnings prospects.

Mr Jason James, a strategist with the London stockbroker James Capel, acknowledges that "you can make a case for NTT – on four times cash flow it is cheap relative to foreign phone companies". (The UK's BT is priced at a cash-flow multiple of around five).

But Mr James detects "no great deal of enthusiasm about either NTT or KDD in terms of fundamentals".

NTT is forecasting a 24.3 per cent fall in parent pre-tax profits to Y267bn in the year to next March, accelerating from a 14.8 per cent slide last year.

While the government continues to control many telephone charges – the Y10 three-minute local call is one of Japan's best bargains – so-called new common carriers have been allowed to mop up business by discounting on its most important inter-city long-distance routes.

Yesterday Mr Kojima announced that on at least some routes the price gap with its competitor consortia, which the company has been steadily narrowing, would be eliminated by October next year.

NTT has also been lobbying the Ministry of Posts and Telecommunications – so far to no avail – to reform its rate structure based more on the cost of providing each service, including ancillaries such as directory assistance which lose money.

KDD, after a flat 1991, expects a 3.7 per cent rise in profits this year to Y27bn on revenues of Y259bn, in the face of slowing growth in the volume of calls.

It says that since the partial opening up of the country's telecoms market in the late 1980s it has now adjusted to life with its two rivals, competing on service rather than price.

Unlike its larger sibling, KDD has had a Tokyo listing for more than 30 years. Opening ownership of the two to foreigners is arguably an optimistic quest to stem the slide in the market, and indeed was not set in train until the downturn began, in 1990.

For the companies themselves, there will be two main effects. First, they may seek to list their shares on foreign exchanges in the hope of broadening recognition. Second, they may offer equity-linked bonds in the Euromarkets – assuming there is any appetite.

But any significant upturn in the NTT share price would, notes Capel's Mr James, meet "a huge overhang of disgruntled individual shareholders who had lost several thousand pounds each" and were looking to get out.

Moreover, foreign predators with $15bn or so to spend and an eye on what a one-fifth slice of NTT might bring should have their ardour cooled by three further facts.

Japan's muscular Ministry of Finance retains a two-thirds stake. By law, it cannot let this holding fall below one third (in the current trading climate the sale of a further tranche has anyway been indefinitely postponed). And, again by law, foreigners are banned from its board.

Philips delays launch of DCC

By Ronald van de Krol in Amsterdam and Michiyo Nakamoto in London

PHILIPS, the Dutch electronics company, said yesterday it was postponing its launch of digital compact cassette, its latest audio product, from September until later in 1992, but that the equipment would be in the shops in important markets "well before Christmas".

The company blamed the delay on minor problems during trial production of the DCC players. The delay closes the gap between the launch of DCC and Minidisc, a rival format being launched by Sony in November. Philips is counting on the new product to boost its flagging fortunes.

The company said the European launch would be limited to four countries – Britain, Germany, France and the Netherlands – instead of simultaneously in all European countries. The company said the change reflected expected high demand for DCC and Philips's desire to ensure a sufficient supply of players.

The changes to Philips' DCC launch were announced after the close of bourse trading in Amsterdam, where the company's shares ended the day down Fl 1 at Fl 24.50.

The announcement is bound to raise speculation that DCC is in trouble.

This is the second time Philips has postoned the launch of DCC. Initially consumers had expected an April launch.

Philips shares fell recently after the company warned that second-quarter profits, due on August 6, would be lower because of sluggishness in the consumer electronic industry.

THE BREAK-UP OF ICI

Pharmaceuticals division entering flat period after decade of success

IF ICI Bioscience were demerged this year, it would account for 31 per cent of the group's sales – and 70 per cent of its profits and research spending. ICI Bio will take the fast-growing, science-based businesses that have propped up ICI's fortunes during the recession of the last two years.

The international company closest in shape to ICI Bio is Ciba-Geigy of Switzerland, which is also dominated by a large and profitable pharmaceutical business and a large and less profitable agrochemical business, with a scattering of smaller specialist chemical activities. Monsanto of the US and Sandoz of Switzerland are other international chemical groups with a biological orientation similar to ICI Bio.

The pharmaceutical division was ICI's most successful operation in the last decade. It has not only shared in the general prosperity of the international drugs industry but also contributed some best-sellers of its own, particularly to treat heart disease and cancer.

However most analysts believe the current rapid growth of ICI Pharmaceuticals is over. Indeed, the half-yearly results announced yesterday show that drug sales and profits are up only marginally on 1991. The best that Mr Ronnie Hampel, ICI chief operating officer, could say was: "We continue to expect pharmaceuticals to perform over the whole year at a level approaching that of last year."

Pharmaceutical sales are suffering from the expiry last year of US patent protection on Tenormin, ICI's best-selling heart drug. Already 80 per cent of Tenormin prescriptions have been replaced by its cheaper generic version, atenolol.

ICI did at least expect to lose Tenormin revenues. This year's unexpected blow was the withdrawal, because of side-effects, of Temafloxacin, the antibiotic which the company licensed from Abbott of the US in order to fill a gap in its product line.

On the positive side, sales of ICI's three newest drugs – Zestril (heart), Zoladex (cancer) and Diprivan (anaesthetic) – are all up by more than a third this year. And Dr Tom McKillop, technical director of ICI Pharmaceuticals, says the company has "a very strong portfolio" of drugs at various stages of development, with about [illegible] in clinical trials. These could give ICI Pharmaceuticals a new burst of growth in the late 1990s after a relatively flat period.

However successful the new drugs are, ICI Bio may find it difficult to keep the pharmaceuticals business running independently as a medium-sized player in an increasingly competitive global industry.

ICI is only number [illegible] in the world league of drug companies in terms of sales. Analysts predict it will have to link up with a competitor – through merger, acquisition or a comprehensive global alliance – in order to maintain strength in research, development and marketing. Last year there was speculation about an ICI-Wellcome combination, which would make strategic sense, and both the recent Wellcome share sale and proposed demerger of ICI Bio would make this easier.

Although restructuring is on the agenda for the international pharmaceutical business, it is a more urgent priority for the agrochemicals industry in which ICI is the world's second largest player after Ciba-Geigy. Curbs on agricultural production, especially in Europe, are reducing sales of farm chemicals and leading to overcapacity. ICI Agrochemicals has a strong scientific and marketing base but its prospects do not look bright.

ICI Seeds is still a much smaller business than agrochemicals but it has better growth prospects. The company is developing a range of genetically engineered seeds for crops ranging from non-squashy tomatoes to herbicide-resistant corn.

Other promising ICI Bio businesses include Quorn, the fungal food, and Biopol, a biodegradable plastic made by bacteria.

Clive Cookson

Ronnie Hampel: has been doing similar job since last October

General who came from the ranks

MR RONNIE Hampel – who will become deputy chairman and chief executive of the demerged ICI chemicals business – has been doing a similar job for the existing group since last October when he became chief operating officer.

Mr Hampel, 60, left Cambridge University with a degree in modern languages and law. After joining ICI as a commercial trainee, he worked in many divisions during the late 1950s and 1960s.

He became European regional manager in 1969 and then spent four years in the US in the 1970s, first as general manager of agrochemicals and then as vice-president responsible for Latin America.

After returning to the UK in 1977, Mr Hampel ran ICI Paints and then Agrochemicals. He joined the ICI board in 1985 and was responsible for ICI Americas until last year.

ICI encourages directors to join boards of other companies. Mr Hampel is a non-executive director of Commercial Union and British Aerospace.

Chief rose from lab assistant

DAVID BARNES, who will become chief executive of ICI Bio after the demerger, joined ICI as a laboratory assistant in 1957 after graduating from Liverpool University. His first job was in the new pharmaceutical research centre at Alderley Park, Cheshire.

He interrupted his ICI career for a period of National Service in the Royal Artillery, where he saw active service in the Malayan emergency. Mr Barnes rejoined ICI Pharmaceuticals in the overseas sales department and in 1971 became the drugs division's youngest director at 34.

Mr Barnes, 56, left pharmaceuticals in 1983 to head ICI Paints, where he initiated international expansions culminating in the purchase of Glidden Paint in the US.

He joined the main board in 1986, with responsibility for drugs, explosives and agrochemicals. Highly regarded by his colleagues, he is considered a possible successor to Sir Denys Henderson as chairman. Mr Barnes is a non-executive director of Thorn EMI.

David Barnes: seen as possible successor to Sir Denys Henderson

Global overcapacity threat to petrochemicals manufacturing

AFTER SPINNING off ICI Bio, the new ICI will be left with a mixed bag of high-volume, capital-intensive and very cyclical businesses. They were highly profitable in the chemicals boom of the late 1980s but worldwide overcapacity in bulk chemical manufacturing means that ICI is unlikely to see such good times again in the 1990s, however well the world economy recovers.

The most vulnerable part of the new ICI is in petrochemicals – making plastics out of oil and gas. It is one of the smaller global petrochemical manufacturers, with sales of around £2.5bn a year compared to Shell's £6bn, and its production economics are generally less favourable than for oil companies such as Exxon and BP which have more flexibility to take petrochemical profits up or downstream.

In some key areas of petrochemicals, such as olefins and aromatics, ICI is a regional rather than a global player. These operations are likely to be prime candidates for disposal. As Sir Denys Henderson, chairman, said yesterday, "We believe the right way to go is down the global route. Regional businesses can be satisfactory but they have to earn their corn."

One regional business that is not earning its corn at present is the UK-based chlor-alkali operation, which has been hit hard by what Sir Denys called "an absolutely disgraceful increase in electricity prices".

Sir Denys threatened to close the chlor-alkali business down, saying "we have got to a critical point – if anyone thinks we're just rattling sabres, just wait and see."

But the new ICI has several businesses in which it can fairly claim to be a world leader.

For example:

- Paints has continued to trade strongly during the recession and is set for strong growth when the world economy picks up.
- Explosives is expanding into new areas such as the safe disposal or recycling of surplus military explosives and ammunition.
- The fluorocarbons business is building new plants in the UK, US and Japan for chemicals to replace CFCs (which are being phased out because they destroy the ozone layer).
- Tioxide, which became a wholly-owned ICI subsidiary last year, is cutting costs and investing in less polluting plants to produce the white pigment titanium dioxide.

The future of ICI's materials business will depend very much on the outcome of current negotiations to sell its fibres interests to Du Pont of the US and buy Du Pont's acrylic interest instead. The swap is still awaiting clearance from the European and US competition authorities but, Mr Ronnie Hampel, chief executive designate of the post-spinoff ICI, said yesterday: "We believe it is part of the more general restructuring which the chemical industry in Europe requires and which will enhance its competitiveness."

One issue threatening the competitiveness of the new ICI is environmental legislation. As an industrial chemical producer, it will have to invest heavily worldwide in cleaner factories and facilities to reduce wastes. Although Tioxide is now benefiting from recent investment of this sort, ICI as a whole has not yet faced up to the environmental challenge in the same way as its German competitors, BASF, Hoechst and Bayer.

There is no good international model for the new non-biological ICI. Perhaps the closest match is Union Carbide of the US – though Carbide is still struggling to escape from the financial and moral damage done by the Bhopal disaster six years ago.

The company will also have a lot in common with two other American chemical giants, Du Pont and Dow Chemical, which have spun off their pharmaceutical companies but still have substantial agrochemical operations.

Clive Cookson

Corporate theories reversed as demerger trend gathers pace

COURTAULDS Textiles' demerger from Courtaulds in March 1990 was "the best thing we ever did," says Mr Martin Taylor, chief executive of Courtaulds Textiles. In the following two years the shares of both parts of the Courtaulds business outperformed the stock market.

The fashion to demerge reverses corporate theories about conglomeration and diversification. Although not new – for instance Bowater split its US paper-making side from its UK industrial business in 1984 – the urge to demerge has been getting stronger.

There are two prime arguments for it. First, a company which was perhaps submerged in a big group could blossom once its management is freed of the constraints of being part of a big group. Mr Taylor says that most companies are too big to be managed effectively. The parts should be comprehensible to its senior management, he argues.

Second is the argument that "the whole is worth less than the sum of the parts" – the opposite of the conglomerate theory. Unbundling, as Sir James Goldsmith called it, can reveal hidden treasures in a company.

A trade buyer could be found which had a higher opinion of a subsidiary's value. Or a flotation could be arranged. Once exposed to the outside world a formerly neglected subsidiary's true worth might be seen by investors. The stock market value of the two companies could be higher than they were before separation.

That was the hope behind demerger moves at Racal, the electronics group. When Racal floated its telecommunications business in 1988 it retained an 80 per cent stake. Racal was horrified to discover afterwards that its own shares sometimes traded at less than the per share value of its stake in Racal Telecom.

The solution was to give the rest of the Telecom shares to Racal shareholders, renaming the company Vodafone at the same time. Extra value was created for investors. Racal hopes to perform the same trick again with its Chubb security business in the autumn.

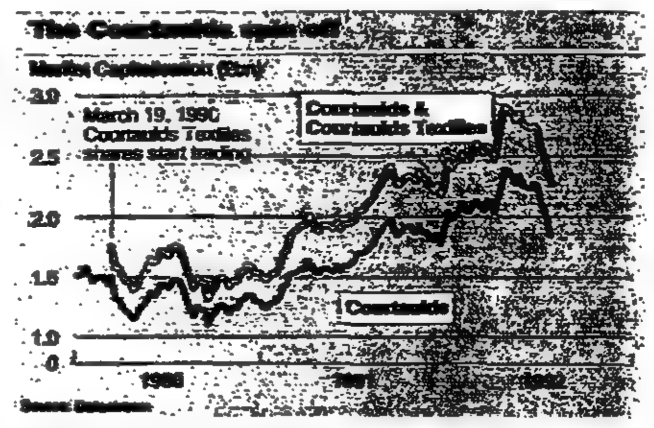
Like Racal, and even ICI, BAT Industries was inspired to demerge some of its businesses when it came under threat of a takeover bid. The assailant in BAT's case was Sir James. In common with potential bidders for Racal and ICI, he was fended off.

BAT, the tobacco and financial services giant, went on to give away shares in Argos, its retail chain, and Wiggins Teape Appleton, its paper company, to shareholders.

Without knowing how a company's shares would have performed without demerging, it is hard to say whether value is enhanced in the longer term.

The Courtaulds example is one of the simplest of demergers to track. It involved handing out one free share in the textile company for every four shares held in Courtaulds. A special dividend was also paid.

In BAT's case the parent company's shares had been boosted by the threatened bid before the demergers and that bid premium disappeared afterwards. The sharp rise in ICI's share price after the demerger plan was announced suggests that its shareholders believe there will be a longer term benefit to them of the company's split.



Maggie Urry

Unions will campaign against planned demerger

BRITAIN'S biggest trade union yesterday denounced ICI's plans and said it and other trade unions would campaign to dissuade the group against such a move.

Mr Fred Higgs, national secretary of the TGWU, said: "ICI is trying to pacify the short-term demands of the City rather than address the long-term health of the business."

Mr Higgs said the demerger proposal presented a major threat to employment. The plan would effectively isolate and leave exposed those businesses which would find it difficult to survive the current recession without being part of a large and diverse group.

Trade unions and ICI's management have enjoyed a good relationship. They campaigned together last year against the threatened hostile bid by Hanson Group.

Mr Higgs said the trade unions accepted the need for certain rationalisations at ICI, but they believed that in the absence of a vigorous acquisition policy ICI was effectively contracting the business.

In May, unions representing UK employees of ICI's fibres business met to discuss the company's divestment policy.

Union concern had been heightened by the announcement that ICI was to swap its European fibres operations for the acrylics businesses of Du Pont, the US chemicals group. Du Pont, which is to take on ICI fibres employees under the deal, was also paying £250m.

Lisa Wood

History based on a defensive cartel

Lord McGowan: ICI's founding and dominating president

ICI was founded in 1926 as a defensive cartel with a mission to supply the British Empire.

Its history since then has been inextricably linked with the decline of that empire and shifting tides in global industrial competition.

ICI was created by a merger of Britain's four leading chemicals companies – Brunner Mond and Company, Nobel Industries, the United Alkali Company and the British Dyestuffs Corporation.

Brunner, Mond and Company was founded by Ludwig Mond, who fled anti-semitic persecution in Germany to make Britain's biggest alkali business. Nobel Industries was the creation of the Swede Alfred Nobel, whose invention of dynamite blasted a path for the Suez Canal. The other two companies were very much junior partners, being given only part-time representation on the ICI board.

ICI's founders had all been alarmed by the merger in 1925 of several German chemical companies into IG Farben, the world's biggest cartel, which threatened to compete directly with them for exports.

The newly formed British group quickly contacted IG Farben, and Dupont, the US chemicals giant. Sir Harry McGowan, ICI's first and dominating president, described the creation of the British cartel as "only the first step in a comprehensive scheme . . . to rationalise the chemical manufacture of the world." ICI initially invested heavily in a fertiliser plant at Billingham, on Teesside, based on ammonia synthesis. But the Depression caused a worldwide slump in agriculture and there was not enough demand to support the huge plant at Billingham.

ICI and IG Farben established production quotas for nitrogen, the main ingredient in fertiliser, and in 1935 they carved up the world market between them – ICI supplying the British Empire, Spain, Portugal, and the Dutch East Indies, with IG taking the rest of Europe and South America.

The deal was not enough to save Billingham, which eventually closed, but it illustrated perfectly the outlook of the founders of ICI, who always preferred to avoid competition. McGowan wrote in 1941 that he did not accept "the theory . . . that competition is essential to efficiency."

In 1935 ICI research scientists made the company's most famous discovery – the strong plastic polyethylene. They did so by defying a company ban on pressurising ethylene, after previous experiments had led to explosions. Work on developing the strong plastic was interrupted by the Second World War.

Rearmament and the war led ICI into becoming a major supplier of chemicals and munitions. The British government paid for the construction of new plants, which ICI managed on a fee basis. The end of the war exposed ICI to a much harsher economic climate. An anti-trust action brought by the US government eventually ended hundreds of agreements on competition between ICI and Du Pont. Although ICI opened a huge new chemicals plant at Wilton, on Teesside, in 1952 most of its plant was obsolete and it suffered during the fifties from the loss of captive markets in former British colonies. Old-fashioned management attitudes and labour relations meant the group was poorly placed to benefit from the opportunities thrown up by a growing and "de-cartelised" world market.

The 1960s saw ICI investing heavily in new plant, both in the UK and overseas. Improved labour relations also increased productivity, although it still lagged behind international competitors in this respect. This heavy investment strategy improved export earnings and efficiency, but it also ran the risk of over-capacity.

The 1970s were to prove an erratic period for ICI's profits performance, although the group benefited from cheap North Sea gas. It focused its attention on the US, in spite of Britain having joined the Common Market in 1972.

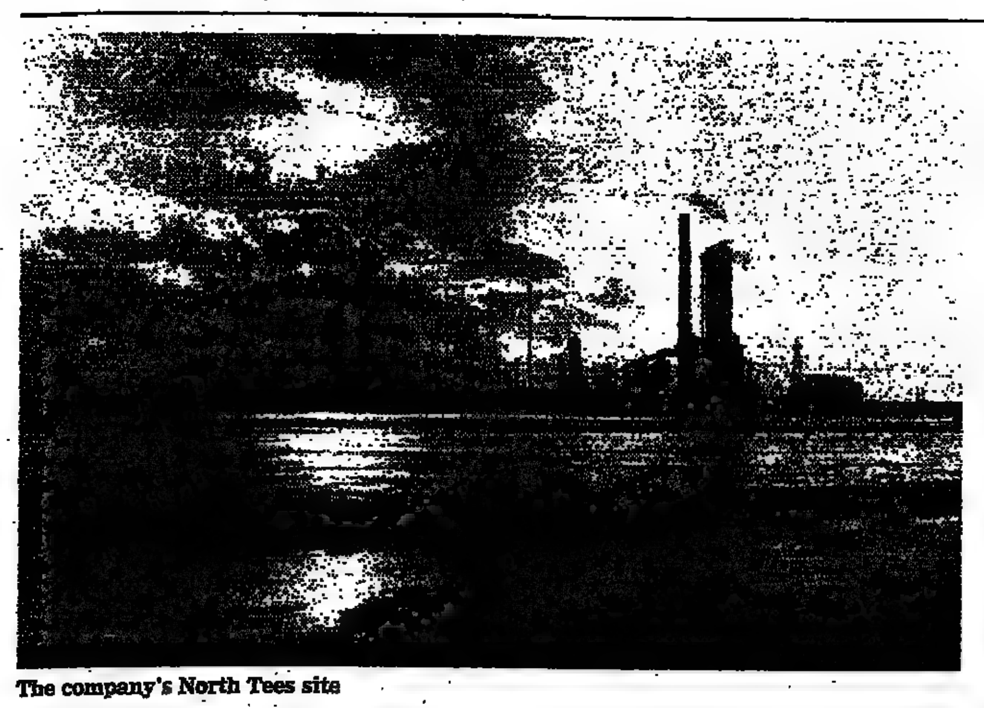
ICI's modern identity is indelibly associated with Sir John Harvey-Jones, who became chairman in 1982 after the group shocked the City by cutting its dividend at the trough of the last recession. He moved rapidly to reduce the group's dependence on bulk chemicals and polyethylene, concentrating on higher-margin products such as drugs and speciality chemicals.

Since Sir John's retirement in 1987 his successor, Sir Denys Henderson, has continued the same strategy – although inevitably ICI has recently been preoccupied by coping with the recession and resisting the attentions of Lord Hanson.

Andrew Bolger

Lord Melchett (Sir Alfred Mond): ICI's first chairman

THE BREAK-UP OF ICI



The company's North Tees site

Weak basic chemicals market behind 17% fall

IMPERIAL Chemical Industries reported half-year pre-tax profits down 17 per cent from £507m to £420m.

Sir Denys Henderson, chairman, said the fall was mainly because of weak market conditions in the basic chemicals and agrochemicals and seeds markets. Earnings per share fell 14 per cent to 39.9p (46.6p). The interim dividend is maintained at 21p.

The recession was lasting longer and was deeper than most people had originally expected, he said. The faint signs of recovery in the early spring had faded. He refused to make any predictions about the world economy, except that it would remain uncertain and life would continue to be tough.

The pharmaceuticals, specialties and materials businesses had improved through self-help and determined control of costs, Sir Denys added. The restructuring programme was progressing well and cost savings were running at an annual rate of £250m.

Group turnover fell 4 per cent from £6.37bn to £6.15bn. Reduced selling prices accounted for 1 percentage point, falling volumes 1 percentage point and disposals 3 percentage points. Favourable exchange rates increased turnover by 1 percentage point. The sales decline occurred mainly during the second quarter.

Half-year trading profits at the pharmaceuticals division rose only 3 per cent from £233m to £241m on turnover of £771m (£729m). Growth from new products and disposal gains were offset by increasing US generic competition against Tenormin, a beta-blocker for hypertension which is ICI's best-selling drug and the world's fifth largest.

Operating profits at the agrochemicals and seeds operations fell 39 per cent from £154m to £94m on turnover of £769m (£801m). The company blamed wet weather and intensified price competition in the US, as well as European farmers' concerns about the recently announced reforms of the Common Agricultural Policy.

Trading profits for the specialities operations were £36m (£29m) on turnover of £655m (£652). The paints businesses reported profits of £55m (£57m) on sales of £817m (£789m). Materials recorded profits of £14m (£8m) on revenues of £987m (£1.021bn), while explosives generated profits of £21m on sales of £272m (£254m).

The improvements in the specialities and materials businesses were due primarily to cost reduction programmes. However, Mr Ronnie Hampel, chief operating officer, said profits in the businesses were still unsatisfactory.

The industrial chemicals division suffered from squeezed margins created by a combination of recession and over-capacity. The chlor-alkali businesses suffered from high energy costs and production is being kept at only 75 per cent of capacity. The whole division is still looking for cost cutting possibilities.

The group as a whole has reduced the number of employees by 5,000. Since July 1990 the total reduction has been more than 19,000, of which 5,000 have been transfered to other companies.

The group estimates profits for the first six months have benefited by more than £100m from this programme.

Paul Abrahams

Bulk fears may put Runcorn on the spot

REACTION TO the ICI announcement ranged from enthusiasm to fear yesterday, depending on who was involved, where they were based, or what business they were in.

Mr David Collins, economic development officer for Cheshire County, said: "We have very mixed feelings." ICI employs about 6,000 people in Cheshire but they are split between pharmaceuticals and bulk chemicals.

The pharmaceuticals business has its world headquarters in Alderley Edge, near Wilmslow in the prosperous eastern half of Cheshire. Its future, already assured, will be strengthened by its leading role in the new ICI Bio.

However, Cheshire also houses the core of the old ICI Mond division at Runcorn on the south bank of the Mersey facing Widnes, in the poorer western half of the county.

Chlorine manufacture at Runcorn is already under pressure from environmentalists, following leaks of gases and concern over pollution of the Mersey, while ICI has also warned recently that the rising cost of power may force closure anyway.

At Cheshire county hall yesterday, the implications of Runcorn not having pharmaceuticals to lean on far outweighed any improved prospects for Alderley Edge .

ICI's specialities business has its world headquarters in the north, at Blackley in Manchester. Its future looks bright as part of ICI Bio, especially since its surfactants operations – mainly bulk production for detergents and located on Teesside - would be transferred to chemicals and polymers.

Blackley would therefore be able to concentrate on specialities with high added value for use in industries such as cosmetics and health care. Its staff – and Manchester – are understood to be enthusiastic about the changes, which they see as a natural evolution.

The changes are also understood to be welcome at ICI Paints, which has its world headquarters at Slough, in the Thames Valley.

The paints business – a mixture of well-marketed decorative products and high-margin industrial coatings – will emerge from the shadow of pharmaceuticals to become the star performer of the new non-bio ICI.

Coincidentally, it will occupy the same position in the new grouping as Akzo Coatings does in Akzo, the Netherlands chemicals group, with about 20 per cent of the total business.

ICI Paints – which competitors saw as a sleeping giant in the mid-1980s – has since been woken up under Mr Herman Scopes, its chief executive. Its tight, professional managerial standards are expected to have a noticeable influence on the new bulk chemicals business.

Mr Philip Okell, investment management director of Charterhouse Tilney, the Liverpool-based stockbroker, said yesterday: "We are very keen on this development. This will free the better parts of ICI to do even better but it will expose the bulk chemicals business.

"They will be on their own and their management teams will become more focused. Making a similar split between mature and thrusting businesses has worked very well for Courtaulds. People were gloomy about the prospects for Courtaulds Textiles but it has done well on its own," Mr Okell added.

Ian Hamilton Fazey

Teesside braces itself for further job losses

TEESSIDE, which has the highest concentration of ICI manufacturing assets in the world, has been bracing itself for unpleasant news from the company's long-heralded restructuring.

Fears have been growing that Teesside is vulnerable to big job losses from its biggest private sector employer because of its over dependence on the bulky, least glamorous parts of ICI's business.

WORLD'S LARGEST CHEMICAL COMPANIES RANKED BY SALES ($m)

	Sales on Q1 1992
BASF (Germany)	7,236
Hoechst (Germany)	6,978
Bayer (Germany)	6,807
Du Pont* (US)	5,368
ICI (UK)	5,303
Dow Chemical (US)	4,639
Ciba Geigy (Switzerland)	3,930
Rhone Poulenc (France)	3,863
Exxon* (US)	2,604
Shell* (UK/Netherlands)	2,462
AKZO (Netherlands)	2,395
Monsanto (Italy)	2,188
DSM (Netherlands)	1,315
Norsk Hydro* (Norway)	1,286
BP* (UK)	1,276
Union Carbide (US)	1,187

*Chemicals only

Source: Chemical Insight

Although ICI remains the dominant local employer with about 11,000 on its Teesside payroll, this is fewer than half the number employed before the last recession began in 1979. With the rundown in numbers the traditional image of ICI on Teesside as a paternalistic employer has dwindled, a shift recently reinforced by the proposed deal under which Du Pont will acquire ICI's European-based nylon business.

Middlesbrough council yesterday called on ICI to invest more cash in its bio-science businesses in the Teesside area. "That is obviously ICI's latest success story and we want to be part of it", said Mr John Jones, deputy leader of the council.

Mr Peter Crowe, chief executive of the Teesside Chamber of Trade, said it was much too soon to tell what the implications of ICI's proposed demerger would be for Teesside.

"I hope this won't mean any threat to employment on Teesside," he said. "If ICI feels this helps them in a global market place and won't threaten employment or investment on Teesside any more than the known restructuring going on the Chamber won't criticise them for doing it."

Chris Tighe

Shareholders react with glee

SHAREHOLDERS in ICI yesterday reacted gleefully to the news that the bio-sciences businesses will be spun off into a new company. They said the move was even more aggressive than they had hoped for.

"It's good news for shareholders," said Mr John Thompson, director of UK equities at Standard Life.

The demerger, mooted in meetings last summer with Sir Denys Henderson, ICI chairman, as one option for improving value for shareholders, was broadly welcomed by shareholders as a mechanism to allow the companies mushrooming pharmaceuticals business to flourish unfettered.

In earlier discussions, ICI directors had hinted that they planned to demerge no more than the pharmaceuticals business, so the extent of the demerger caused surprise.

However, shareholders generally agreed that the new business groupings were sensible.

"The structure has been ridiculous," said one shareholder. "Not so long ago, the man in charge of pharmaceuticals was also in charge of paint production. So he had to look at the salaries of paint workers in Slough as well as one of the most complex businesses in the world." Had ICI not spun off the bio-sciences businesses, they would likely have withered under the company's enormous bureaucracy and diverse product mix.

Even if the two individual companies were no better managed than the current conglomerate, investors said there was still likely to be improvement in share prices simply because markets can more accurately value shares of companies in single industries than those of conglomerates.

Shareholders pointed hopefully to the share price performance of Courtaulds' two business segments since they were separated in 1990. Shares in both companies have significantly outperformed the FT-A All-Share index and ICI investors are hoping for more of the same.

However, while euphorically watching the share price soar 76p to close at 1171p – adding roughly £800m to the company's share capital – shareholders had some concerns about exactly how the demerger would work.

"I really want to know how much this is going to cost," said one leading shareholder. "Advisers can be fairly rapacious in deals like this." The concern is that fees and the costs of business restructuring may, at least in the early years, outweigh added returns to shareholders.

Shareholders are also anxious to see details of the bio-science companies' planned capital raising exercise and plans for spending the new funds. It is expected that the fresh capital will be used to reduce debt shifted to the bio-sciences division from the industrial division.

Norma Cohen

Swissair turns in SFr116m deficit

By Ian Rodger in Zurich

SWISSAIR, the Swiss national airline, has reported an operating loss after depreciation of SFr116m ($88m) in the first half compared with a loss of SFr97m in the same period last year.

However, the group forecast that it would make a net profit for the year, helped again by aircraft and other asset sales, and the result would be "broadly in line" with last year's SFr83m.

The airline, which is in the midst of a four-year programme to strip SFr300m out of annual costs, said the first half results reflected sluggish demand, overcapacity and drastic reductions in fares worldwide.

Total traffic volume was up only 8 per cent, significantly less than the European airline average, but Swissair said its volume in the first half of last year during the Gulf War fell less than that of its rivals.

Revenue was up 5 per cent to SFr2.5bn, but the overall load factor slipped to 59.3 per cent and revenue per passenger declined, resulting in a continuing loss. Last year, the airline's break-even point was 64 per cent.

Swissair said its overall costs rose 5 per cent in the first half, and depreciation charges were up by SFr14m to SFr197m. The company has accelerated its cost-cutting and restructuring programme.

In June, it announced 400 redundancies among administrative staff and ordered more co-operation between its two charter subsidiaries, Balair and CTA.

Earlier this week, it said it was hiving off its large airline catering business, duty free shops and staff canteens to a wholly owned subsidiary.

Swissair said proceeds from aircraft sales this year would be about the same level of last year's SFr140m. The group sold its 36 per cent stake in the Kuoni travel group in May for over more than SFr100m.

Swiss Bank Corporation slides 7.7% at halfway

By Ian Rodger in Zurich

SWISS Bank Corporation (SBC), Switzerland's second largest bank, said consolidated pre-tax profit before exceptional items and provisions fell 7.7 per cent in the first half to SFr1.24bn ($944m), mainly due to the costs connected with integrating recent acquisitions.

SBC also signalled a weaker result and higher provisions in the full year than it had hoped for.

"Although no end to the current phase of high interest rates is yet in sight, the bank believes it may be possible to achieve a cash flow figure close to the previous year's good result," the company said.

In March, Mr Walter Frehner, chief executive, said the bank had ambitious goals and the directors were confident they would generate "good results" during the year.

The group's personnel costs soared 18.3 per cent in the first half to SFr1.3bn, with two thirds of the rise coming from the newly consolidated companies, BSI and the Dominguez Barry group. Business and office overheads jumped 27 per cent to SFr755m, in part because of exceptional costs in connection with the integration of the O'Connor derivatives business.

Consolidated commission income jumped 30 per cent to SFr1.01bn with brokerage and revenues from portfolio management and investment funds both rising substantially.

A 5.9 per cent fall in income from financial operations and trading to SFr635m came mainly from securities, while the 5.5 per cent rise in net interest earnings to SFr1.6bn was due to the consolidation of Banca della Svizzera Italiana (BSI) and higher interest bearing assets abroad.

Total consolidated assets at the end of June at SFr201bn were 2.9 per cent lower than at the end of last year.

Customer lending was flat at SFr118bn.

Earnings at Crédit Suisse climb

By Ian Rodger

CREDIT SUISSE, Switzerland's third largest bank, saw consolidated pre-tax profit, before provisions and write-downs, rise 8.4 per cent to SFr1.44bn ($1.09bn) in the first half.

However, it reported that profits deteriorated in the second quarter and warned that if the economic situation in Switzerland continued to worsen, this year's provisions by the parent company might have to be larger than last year's SFr993m.

The bank had previously forecast that provisions would be at about the same level as last year.

Consolidated income from interest-related business rose only 3.4 per cent in the first half to SFr1.2bn, reflecting significantly weaker growth in lendings and provisions taken to cover the risk of borrowers not meeting interest payments.

Commission income soared 22.7 per cent to SFr837m, mainly because of better receipts from commercial banking, current account, investment management and securities administration activities. Commissions on stock exchange and new issue business were down slightly.

Income from trading in securities, foreign exchange, precious metals and interest rate instruments rose 10.8 per cent to SFr782m.

Total consolidated assets reached SFr163.7bn at the end of June, up 5.2 per cent from the end of last year.

The parent company's gross profit rose only 5.4 per cent in the first half to SFr1.07m.

The bank said that "the persistently sluggish economy and tight interest rates have exacerbated risks, particularly in Switzerland where small and medium-sized businesses, as well as real estate companies in western Switzerland, are being hit especially hard."

Sharp decline in Fokus Bank losses

By Karen Fossli in Oslo

FOKUS Bank, Norway's third biggest bank, yesterday reported a sharp fall in half-year losses, before extraordinary items, to NKr165m ($28.3m) from NKr919.8m. But it warned that this autumn it would seek up to NKr800m in fresh state support.

Fokus was de-listed from the Oslo bourse and acquired by the state last December in a rescue operation, after its share capital had been wiped out by large losses.

Mr Leif Klevan, managing director, said that a call for fresh funds should not be seen as a dramatic move as the bank would have last year sought more capital, had the state-owned bank insurance fund had more capital at its disposal.

The fund last December also transfered capital to Den norske Bank (DnB), Norway's biggest bank and Christiana Bank, the second biggest bank.

Fokus reduced half-year credit losses to NKr377.9m from NKr902.4m. Mr Klevan said that the volume of non-performing loans had been slightly reduced in the first half but he cautiously forecast that they were likely to remain on the same level in the second half.

Operating costs fell to NKr654m from NKr799.1m last year but Mr Klevan said that cost-cutting measures already implemented would begin to benefit the bank by the end of the year.

Reshuffle at Lyonnaise des Eaux Dumez

By Alice Rawsthorn in Paris

THE senior management of Lyonnaise des Eaux Dumez, one of France's largest industrial companies, has been reshuffled with the replacement of Mr Jean-Paul Parayre, as deputy chairman and director general, by Mr Jean-Louis Brault, another director of the group.

Mr Parayre's departure has been interpreted as a victory for Mr Jérôme Monod, chairman, who has been trying to consolidate his hold over the group ever since Lyonnaise des Eaux, the water utility company he headed, merged with Dumez, the construction group led by Mr Parayre, two years ago.

Ironically it was Mr Parayre who had originally encouraged Dumez to opt for the merger, against the advice of the family shareholders.

Mr Brault, his successor as deputy chairman, currently heads Degrémont, a water treatment company belonging to the Lyonnaise side of the group.

However Mr Brault, 53, spent part of his career in the construction industry as a senior executive for Bouygues, the French company which is the world's biggest building group.

During his time at Dumez Mr Parayre has played a pivotal part in the Channel tunnel project. He will retain his position as chairman of Transmanche Link (TML), the consortium of construction contractors working on the tunnel, and will continue to lead their negotiations with the Eurotunnel group.

The management reshuffle comes shortly after Lyonnaise des Eaux Dumez disclosed a fall in net profits from FFr1.4bn in 1990 to FFr1.17bn ($234m) in 1991.

Mr Monod recently announced a divestment programme which will include selling its 3.9 per cent stake in Havas, the French media group, and the eventual disposal of United Westburne, its Canadian building materials subsidiary.

BT chief warns of threat to privatised companies

By Roland Rudd in London

MR IAIN Vallance, British Telecommunications chairman, yesterday attacked the regulators of the privatised industries which he accused of threatening the success of the privatisation programme of the 1980s.

He coupled the attack, at his annual shareholders' meeting in Birmingham, England, with a warning that BT would find it very difficult to accept the tighter price-controlled regime put forward by Oftel, the industry regulator.

If there is no agreement, the issue will be referred to the Monopolies and Mergers Commission, a government agency.

Oftel has told BT to cut the price of a basket of its basic services each year by inflation minus 7.5 percentage points, compared with 6.25 points at present. The company has also been told to make sure small retail customers share in the price cuts.

Mr Vallance said the proposed new price regime was "extremely tough by any standard" and many of the detailed provisions would significantly add to the negative impact of the proposals on BT.

He called for a change in the regulatory regime which would leave "management free without interference" and the need for a commercial price structure based on cost.

Mr Vallance said: "It is also unclear how the regulators themselves are to be held accountable. The regulated industries have little right of appeal, and, in practice, no effective recourse to judicial review. We firmly believe that there is an issue of governance concerning the regulators which the government must tackle if the real successes of the privatisation programme of the nineties are not to be undermined."

Mr Vallance complained that the only course if BT fails to agree with Oftel was to allow the matter to be referred to the MMC. "This is by any standards a major undertaking, involving huge demands on senior management time."

BT and Oftel have recently talked privately about the possibility of a referral to the MMC, which has the power to impose a solution. Given that both have threatened to go to the MMC several times before, the present dispute seems to point to the two sides' tough negotiating stances rather than a total breakdown of talks.

DSM plunges 30% in quarter

By Ronald van de Krol in Amsterdam

DSM, the Dutch chemicals group, said net profit in the second quarter fell by nearly 30 per cent from a year earlier, dragging down first-half net earnings by 37 per cent to Fl 210m ($127m).

The company said margins had come under pressure from lower selling prices and continued worldwide overcapacity, as well as from a decline in demand for chemicals in eastern Europe which was causing fiercer competition than normal in western Europe and the Far East.

However, the second-quarter net profit of Fl 110m was slightly better than the result achieved in the first quarter, when profit had tumbled by 43.8 per cent to Fl 100m.

In its first forecast for full-year results, DSM said 1992 profit would be lower, but it gave no figures. The interim dividend was unchanged at Fl 3.65.

Unlike the first quarter, when lower profits were due chiefly to narrower margins in hydrocarbons and polymers, the second-quarter downturn mainly reflected a worsening of results in base chemicals, which were hit hardest by the faltering eastern European demand.

In the first six months, the operating profit of the hydrocarbon and polymers division fell to just Fl 1m from Fl 9m a year earlier. The base and fine chemicals division saw operating results fall to Fl 81m from Fl 149m. Turnover was down 3 per cent at Fl 4.9bn.

Gardini buys four water brands

By William Dawkins in Paris

MR RAUL GARDINI, the Italian industrialist, yesterday announced the acquisition of four Italian mineral water brands, turning him into one of the largest operators in the national market.

Garma, a holding company controlled by Mr Gardini, has paid an undisclosed sum to an Italian businessman for Italfin, a drinks business with a combined annual mineral water turnover equivalent to $200m.

This is Mr Gardini's second Italian mineral water acquisition within a fortnight and lifts his market share to 20 per cent, where he rivals the French food group BSN, owner of the Ferrarelle and Boario brands.

It is the latest reshuffle in the European mineral water industry after the takeover of Perrier, the French group, by Nestlé, the Swiss foods group.

The brands Mr Gardini bought yesterday – Rocaro, Pejo, Santa Rita and Ciapazzi – hold 7 per cent of the Italian market. In mid-June, he paid an estimated $300m for the food and drinks group Nuova GIA, which controls the Levissima water brand, with a 13 per cent market share.

Mr Gardini declined to indicate whether or not he might be interested in the several brands which Nestlé has agreed to sell as a condition of getting European Commission clearance for the takeover. He said he was studying the situation.

Weak demand hits Sumitomo Chemical returns

By Robert Thomson in Tokyo

SUMITOMO Chemical, a leading Japanese chemical producer, reported a 61.5 per cent fall in pre-tax profit to Y9.1bn ($72.6m) in the first half-year to end-June, as the slowing of the Japanese economy undermined demand for industrial chemicals.

Sales for the period fell 14 per cent to Y321.2bn, with sales of basic chemicals down 18 per cent, of aluminium 26 per cent, and of speciality chemicals 2 per cent lower.

Demand for basic chemicals such as plastics and monomers has weakened in the Japanese car and domestic appliance industries, which have reduced output this year because of a rapid increase in inventories. Sales of aluminium products were weakened by the sharp fall in building starts during the first half.

Domestic sales of specialty chemicals remained strong, but exports were bruised by the appreciation of the yen and the international recession. Sales of agricultural chemicals fell 4 per cent, with an increase in domestic sales of feed ingredients and public hygiene chemicals outweighed by a decrease in exports.

Sumitomo had aimed for a pre-tax profit of Y15bn, but the weakening of the Japanese economy in recent months has forced most companies to revise their estimates.

For the full year to end December, Sumitomo is forecasting sales of Y640bn, down 8.7 per cent, and a pre-tax profit of Y14bn, down 43 per cent, though even those forecasts may prove optimistic.

Overseas operations and life side lift AIG

By Nikki Tait in New York

AMERICAN International Group, one of the largest US composite insurers, yesterday reported after-tax profits of $425.6m in the three months to end-June, a 6.1 per cent improvement on the same period a year earlier.

The result takes profits for the first six months of 1992 to $839.5m, against $776.4m in the previous year. The figures are scored after realised investment gains of $26.5m (against $31m a year ago) in the second quarter, and $54.5m ($54.6m) for the six months.

Mr Maurice Greenberg, chairman, said the second quarter had been "reasonably good" for the company overall. The US property-casualty market continued to be "very competitive in most lines of business other than the specialty classes", and catastrophe losses had been particularly heavy. But life operations and sizeable overseas operations "provided a counterbalance".

General insurance operations made an underwriting loss of $15.9m in the six months, compared with a profit of $41.8m a year earlier. But higher investment income meant that operating profit fell only 1.5 per cent to $599.8m ($608.8m). Net premiums were $4.63bn against $4.62bn.

The life operations, by contrast, pushed up operating profits by 16 per cent in the first half, to $295.2m ($254.5m). Premium income rose to $2.26bn from $1.91bn.

● Transamerica, the San Francisco-based financial services group planning to divest its property-casualty insurance operations, reported after-tax profits of $60.3m for the quarter to end-June against $55.1m a year ago. Profits from the businesses which will form the continuing group rose from $43m to $97.5m.

Half-year after-tax profits stand at $143.9m ($63m).

CNAC buys stake in HK air cargo handler

By Simon Holberton in Hong Kong

THE Hong Kong government yesterday sold its 10 per cent shareholding in Hong Kong Air Cargo Terminals (HACTL), the colony's monopoly aviation cargo handler, to China National Aviation Corporation (CNAC) for HK$106m.

The deal follows CNAC's purchase two weeks ago of a 5 per cent stake in Cathay Pacific for HK$1.7bn from Hongkong and Shanghai Bank. China Travel Service bought a 5 per cent holding in Cathay from the bank as well.

The move was seen yesterday as strengthening Cathay Pacific's role in Hong Kong after the colony reverts to Chinese sovereignty in June 1997.

The Swire group, Cathay's parent, owns 30 per cent of HACTL and CNAC is closely related to China Aviation Administration Corporation, China's civil aviation authority.

The acquisition was also seen as a vote of confidence by China in the colony's new multi-billion dollar airport as HACTL only has a future if the new airport is built. The company's ability to expand cargo handling facilities at Kai Tek, the existing airport, is limited as Kai Tek is expected to reach full capacity by 1994 or 1995.

The Provisional Airport Authority has called for expressions of interest from companies wanting to operate mainstream cargo handling and dedicated express cargo operations at Chek Lap Kok. It aims to issue one or more licences and HACTL is expected to feature among the winners.

Last year HACTL handled 821,000 tonnes of air cargo, 7 per cent up on 1990 in spite of the Gulf War. HACTL estimates the long run growth in air cargo at around 8 per cent a year.

In addition to Swire, Jardine Matheson owns 30 per cent of HACTL, Wharf Holdings 15 per cent, and Hongkong Whampoa Docks – a Hutchison Whampoa subsidiary – 15 per cent.

Indonesia's banks await foreign investors

William Keeling on prospects for an influx of cash into Jakarta's financial sector

Indonesian brokers have been on the starting-blocks anticipating a law permitting foreign ownership of bank shares.

However, several months after details were agreed by government ministers, the law remains unratified. The anticipated race for shares may now be off, with many brokers advising clients to adopt a wait-and-see approach.

The decree will allow foreigners to buy up to 49 per cent of a bank's listed shares. An influx of foreign capital would, government ministers believe, bring stability to the banking sector and act as a catalyst for the Jakarta stock market which has been handicapped by a dearth of liquidity.

Listed banks among Indonesia's top 10 private banks in terms of assets include Bank Danamon, Bank International Indonesia, Bank Umum Nasional, Bank Dagang National Indonesia, Bank Niaga, Bank Duta, Bank Bali and Lippo Bank. Their combined assets at the end of last year totalled Rp26,100bn ($13bn).

The unexplained delay in the decree has given investors a chance to look closely at the sector and at a number of reports by leading brokers. A report in May by Jardine Fleming Nusantara, the Indonesian subsidiary of the Hong Kong-based Jardine Fleming merchant bank, described the the Indonesian banking system as "in a period of turmoil [and] consolidation".

The banking sector experienced explosive growth after the government passed a sweeping deregulation package in 1988. Total bank credits rose from Rp44,001bn in 1988 to Rp97,696bn in 1990. In the second quarter of 1990, credit from private banks recorded a year-on-year growth of 120 per cent.

Competition between banks – there are some 170 of which 11 are listed – led many to expand beyond their management capability and lend on the back of poor credit analysis. Bank Indonesia, the central bank, estimates the sector's bad and doubtful debts last year at 5.9 per cent of total loans, up from 3.9 per cent in 1990.

Private bankers are more pessimistic and estimate the non-performing loans at about 15 per cent of the sector's total portfolio. Donors say the non-performing loans of the five state commercial banks, which account for about half the sector's assets, range between 15 and 25 per cent of their respective portfolios.

A recent report by Crosby Securities says: "The financial health of the leading banks is adequate." But it warns that "the profits reported by the banks are flattered by inadequate charges for bad debts".

Potential foreign investors will also be aware of the past record of some banks when disclosing their balance sheets. In 1990 Bank Duta failed to disclose foreign exchange losses of $419m a few months before going public. Bank Indonesia has since taken steps to curb the sector's worst excesses.

Banks have also been struggling to reach a timetable for higher capital adequacy requirements, from 5 per cent of total assets last March to 8 per cent by December next year. Bankers estimate the state banks alone will require up to $2bn of new capital by the end of next year.

But the sector's current difficulties should be placed against a background of continuing macro-economic growth. Gross domestic product rose 6.75 per cent last year and banks will be key beneficiaries of a rise in per capita income which the World Bank forecasts will almost double to $1,000 by the turn of the century.

Continued economic growth should provide the surest means for banks to improve profitability and reduce bad debt. Although this year has been one of consolidation – credit growth is expected to be just 15 per cent – the better managed banks are benefiting from an average 7 per cent spread between deposit and lending rates.

Bankers believe many of the listed banks will soon announce rights issues as a means of meeting the capital adequacy targets and improving liquidity. As Mr Phillip Widjaja, vice-president of Bank Bali, said the decree "is good news for banks, especially given the capital adequacy regulation. A lot of banks are still undercapitalised".

This may lead many non-listed banks, perhaps even some state banks, to consider a flotation which would present investors with a confusion of choice.

Brokers have given a preliminary "avoid" recommendation to about half the leading listed banks. In the past two months, however, the share prices of these banks have risen on average 20 per cent, while the shares of Bank International Indonesia, which many brokers have recommended as a "buy", have remained static.

The bull market in bank shares has been caused by domestic investors buying in advance of the decree. Brokers say share prices may actually weaken when the market is opened to foreigners.

"The market is likely to be surprised by the lack of foreign interest," explained one broker. The sector, however, will be difficult for country fund managers to disregard. Banks account for about 10 per cent of the stock market's capitalisation and a balanced Indonesia portfolio will require a stake.

INDONESIAN BANKS RESULTS FOR 1991

Bank	Bad debt provision (Rp bn)	Pre-tax profit (Rp bn)	Net profit (Rp bn)	Earnings per share (Rp)
Bank Bali	35.7	74.2	51.7	833
Bank Dagang	23.6	52.6	34.0	250
Bank Danamon	10.9	45.0	35.6	317
Bank Duta	25.8	36.0	36.3	258
Bank Niaga	24.8	27.7	18.1	345
Bank Umum Nasional	25.2	40.0	24.1	246
Bank Intl. Indonesia	40.6	75.0	61.3	307
Lippo Bank	7.9	24.6	22.2	155

Source: Crosby Securities

Time Warner in talks with potential partners

By Our Financial Staff

TIME Warner is once more rumoured to be advancing in its talks with potential foreign partners as the US media and entertainment group continues to try to whittle down its substantial debt burden.

A number of possible investors are being bandied about Wall Street including Mr Paul Desmarais, chairman of Canada's Power Corp, Mr Albert Frère, chairman of Groupe Bruxelles Lambert, and Switzerland's Pargesa.

Although Time Warner has had some success in its quest for so-called "strategic" partners, most notably its Time Warner Entertainment (TWE) joint venture with Japan's Toshiba and C. Itoh, overall its progress has been slow. Some potential investors have been deterred by Time Warner's policy of maintaining management control of its investment vehicles. At TWE, for example, Toshiba and C.Itoh invested $1bn for a 12.5 per cent stake, leaving Time Warner with control of the subsidiary.

In May, poor investor interest forced Time Warner to cut the size of a private placement of long-term notes to $850m from $1bn. Recent speculation has not helped its share price, which held steady at $107¼ at mid-session yesterday. It slipped $1¼ the previous day in a soaring stock market.

Omnicom posts 3% increase in pre-tax profits

By Gary Mead, Marketing Correspondent

OMNICOM Group, the US-based international advertising group, yesterday reported a 3 per cent rise in pre-tax profits for the first half of 1992 to $56.8m – allowing for extraordinary items of $6.7m – against $54.9m a year ago.

Barring extraordinary items, which involved new accounting principles and retirement benefits, pre-tax profits were up by 16 per cent. Net income for the six months increased by 20 per cent, to $35.1m from $29.1m. Fully diluted earnings per share increased 14 per cent to $1.17 from $1.03.

USX chairman predicts improved second half

By Martin Dickson in Pittsburgh

MR CHARLES CORRY, chairman of USX, the US steel and energy group, said yesterday he expected both sides of the business to perform better in the second half of 1992 than in the first half, excluding the impact of special items.

On Tuesday, USX announced second-quarter net income of $226m for its Marathon business and $6m for its US Steel group. The Marathon figures included a $119m tax refund.

Mr Corry told a news conference that the steel side, which was hard-hit by the US recession last year, should do better in the second half, given that its operating rate during the second quarter had risen to the "quite good" level of 90 per cent and the June order rate had been the best this year.

He also said anti-dumping suits recently filed by US steelmakers against foreign rivals should help improve American steel prices which remained "very depressed". Next month, the International Trade Commission, a US government agency, gives preliminary findings in the anti-dumping cases.

On the energy side, margins in Marathon's refining business might be "a bit better" while upstream operations could benefit from firming natural gas prices, especially if coupled with a cold winter.

Earnings advance at Noranda to C$32m

By Bernard Simon in Toronto

THE recent drop in the Canadian dollar and improved commodity prices helped Noranda, the resources group controlled by Toronto's Bronfman family, almost to double second-quarter earnings.

The latest earnings are still not sufficient to cover the quarterly dividend. But Noranda is leaving the payout unchanged at 25 cents, apparently in expectation of a further improvement in commodity prices and earnings later this year. Several other Bronfman-controlled companies have cut their dividends in recent weeks.

Net income rose to C$32m (US$27.1m), or nine cents a share, from C$18m, or two cents a share, a year earlier. Revenues dipped slightly to C$2.21bn from C$2.28bn.

The mainspring of the higher earnings came from metals and minerals, whose contribution advanced to C$55m from C$16m. Higher zinc prices and the more favourable exchange rate helped this year's performance, while earnings last year were depressed by a strike at Brunswick Mining and Smelting.

Forest products moved from a C$12m loss to earnings of C$10m, thanks to stronger lumber and panelboard markets, and the closure of some loss-making mills. The company said that pulp markets are starting to show signs of a turnround, but newsprint and other types of paper remain depressed.

Interest charges fell to C$94m from C$116m, although long-term debt rose to C$4.8bn from C$4.5bn.

UAL blames fare wars for $95.1m loss in quarter

By Nikki Tait in New York

UAL, the parent company of United Airlines, joined its two big US rivals in reporting a large loss for the second quarter of 1992, and warned it expects poor results for the balance of the year. The carrier also hinted that further cost-cutting measures may be implemented.

UAL said it lost $95.1m after tax in the three-month period, compared with a profit of $52.7m in the same period of 1991.

This takes UAL's loss for the first six months of 1992 to $187.4m, a sharp increase on the $104.3m deficit seen in the first half of 1991.

At the operating level, UAL's deficit for the quarter totalled $73.9m, compared with profits of $63.7m a year ago. Revenues were up from $3.14bn, compared with $2.95bn in 1991, but yield, in terms of revenue per passenger mile, fell from 12.28 cents to 12.14 cents.

In common with American and Delta – United's two main rivals – the Chicago-based carrier pinned the blame on the early summer's ferocious domestic fare wars.

Mr Stephen Wolf, chairman, said: "Our clearly unsatisfactory results reflect the severe impact of revenue-dilutive pricing activity in the US, as well as the effects of the recessionary environment throughout much of the world."

Ominously, Mr Wolf warned that this situation could persist throughout 1992: "We expect these same factors to have a negative effect on our results for at least the balance of 1992," he said.

And he suggested that action

Stephen Wolf: clearly unsatisfactory results

to reduce costs might be necessary. "Unless this situation is reversed, alternative actions to reduce our expenses will have to be considered," he warned.

United has already announced it will cut at least $2bn from its $15.8bn capital spending programme planned for 1992-95.

United is the third "mega-carrier" to suffer large second-quarter losses.

AMR, the parent company for American Airlines, opened the industry's reporting season with a net loss of $166m – or $48m if one-off charges were excluded.

Delta Air Lines followed with a loss of $180.2m. Delta accompanied its results with news of staff reductions, and a general pruning of costs.

So far, the only US carrier to make any money during the three-month period has been Southwest Airlines, the low-cost Dallas-based carrier which specialises in flying high-density commuter routes.

Political shadow over KIO assets offer

Peter Bruce looks at the background to Mr de la Rosa's $2.5bn bid for Grupo Torras

For 12 long days this month the Kuwait Investment Office (KIO) sat on an offer worth $2.5bn for all of its Spanish industrial assets from a former investment partner in Spain, Mr Javier de la Rosa.

On Wednesday July 22, a trusted but now middle-ranking KIO official, called Mr de la Rosa to ask him for a "confirmatory copy" and to query points in the offer, which he had faxed to the Kuwaiti finance minister on July 15. The official said they wanted him to countersign the original fax.

Although irritated by the fact that he had not been approached by a more senior official, Mr de la Rosa signed and sent a new fax, but it apparently never arrived at the headquarters of the KIO's Spanish holding company, Grupo Torras, in Madrid.

Mr de la Rosa did not respond to further calls from the official on the Thursday and Friday of last week. Last Monday the bank standing by to guarantee the offer said it could no longer wait and he sent another fax to Kuwait withdrawing the offer.

Yesterday in Madrid, however, KIO representatives told the El Pais newspaper the Torras companies were in serious trouble and required $3bn to put them on a sound financial footing.

Creditor banks are being called to a meeting on August 5 to discuss a debt moratorium which would help Prima, the Torras property arm, avoid capital repayments on $700m of debt for eight months.

This has been almost inevitable. By forcing the Torras chemicals arm, Ercros, to file for protection from creditors – with debts of $2.15bn – earlier this month following a refusal to finance it, the management which took over at the KIO in May may have triggered a crisis of confidence in all its companies.

Prima stock has fallen from Pta2,500 ($26.5) to Pta850 in a month. But the rest of the Torras companies bought and built up by Mr de la Rosa and KIO's former managers are also suffering. Stock in Ebro, a big foods group, is weak and Torraspapel, Spain's biggest paper company, is finding it hard to raise new credit.

At the same time, the new KIO management has ordered Torras' auditors, Coopers & Lybrand, to prepare accounts for 1991 removing all extraordinary profits and valuing its portfolio at current stock market prices, not at book value.

This slashes a modest $3m profit reported by the company to a loss of $300m. Ironically the Kuwaiti government still accounts for its worldwide holdings on the same book value method employed by the old KIO managers.

But if the companies are in such trouble, why did the KIO not immediately test the seriousness of Mr de la Rosa's offer and begin negotiations. He had worked closely with KIO's old management for six years and managed direct investment in Spain by KIO of $3.7bn. So why provoke him by asking to check his signature? Why did a senior KIO official not call him?

The KIO might fairly be said to have thought the 10-day initial response time contained in the negotiating offer was flexible.

Also, the KIO is still valuing its Spanish portfolio. But for the KIO to appear in the Spanish press yesterday running down the quality of its investments and stating that some, such as Prima, are on the verge of collapse is an unusual way of generating confidence.

Part of the explanation is mired in the village politics of Kuwait, where elections are to be held in October. The old KIO management, with whom Mr de la Rosa is closely identified and still friendly, was a creation of the ruling Al-Sabah family.

Since the end of the Gulf war, the Al-Sabahs have been forced to bend to demands from rich Kuwaiti merchant families for more power and KIO's new management reflects a shift of resources to the merchants.

Grupo Torras probably does not need $3bn to survive but the blacker the empire created by the old pro-Sabah management is painted and the bigger the crisis in Spain appears, the more effective a political weapon Torras may become in the run up to the elections.

That is one view. The other is that the KIO's new management have indeed found themselves in a mess in Spain, with big debts, loans pegged to equity stakes in its companies and a rapidly shrinking economy which calls for desperate measures.

But if this is the case, the obvious question again raises its head. Why was Mr de la Rosa's $2.5bn offer not then acted upon with urgency?

Mr de la Rosa, according to people close to him, is almost certain to make a new bid for Torras, probably in August.

He is understood to have two major industrial partners, from the UK and Germany, interested in entering the Spanish market in sectors occupied by Torras companies.

Extremely well connected, he is quite capable of raising the money though, following the crisis leaks to El Pais yesterday, a new bid is likely to be lower than the first.

Belgian chemicals group falls to BFr6bn

By Andrew Hill in Brussels

NET profits at Solvay, Belgium's largest chemicals group, slipped by 13.5 per cent in the first half of this year, with income down on the first half of 1991 in all three of its principal operating sectors.

The group yesterday announced a consolidated interim profit of BFr5.88bn, ($192m) against BFr6.8bn in the first half of last year. It pointed out that the comparative figure was lifted by speculative pricing – particularly of plastics – during the Gulf war.

Turnover in the first half dropped by 3.3 per cent to BFr132.5bn from BFr137.1bn although volumes increased.

Solvay said it expected its full-year results to be generally comparable with 1991, when the group made consolidated net profits of BFr12.44bn, or BFr10.6bn before extraordinary items.

Baron Daniel Janssen, the group's chairman, said the plastics sector in particular was still "a very grim picture", although it had improved since the second half of last year. PVC prices and demand improved in the first months of 1992, but were still under pressure from east European and US imports. Prices continued to fall in the high density polyethylene and polypropylene markets, eroding margins.

In the circumstances, Baron Janssen said Solvay was surprised that the European Commission had decided, earlier this month, to open another inquiry into an alleged PVC cartel among EC manufacturers. "If there's one market which is heavily competitive, it's PVC," he said yesterday.

He added that Solvay was pursuing discussions with Cefic, the EC chemical companies' trade association, and the Commission over suspicions that east European PVC makers might be dumping their product at artificially low prices in the EC market. Baron Janssen warned east European manufacturers earlier this year that Solvay would be prepared to lodge a formal complaint with the Commission if the practice persisted.

General Dynamics to axe 5,800 jobs

GENERAL Dynamics, the US defence contractor, plans to cut around 5,800 jobs at its Fort Worth, Texas, division by the end of 1994, writes our Financial Staff.

The company said yesterday the cuts were a response to falling defence expenditures and a drop in the production rates of its F-16 fighter aircraft. The Fort Worth division currently employs around 20,000 people.

Production rates for the F-16 were up to 30 a month at one stage, but are now down to 16 a month.

General Dynamics – where Mr Warren Buffett, the investor, has just acquired a 14.9 per cent stake – has been contracting its business generally recently. It has been selling certain operations, such as its Cessna jet division, reducing capital expenditures and buying in its own shares.

Duracell climbs in quarter

DURACELL, the battery company taken private by a leveraged buyout in 1988 and then refloated on the stock market last year, saw after-tax profits of $23.4m in the three months to June 30, against a $71.4m loss in the same period a year earlier, writes Nikki Tait in New York.

The quarter is the last of Duracell's financial year, and it takes profits for the 12 months to $127.8m, compared with a $34.2m loss last time.

Part of the advance comes from sharply lower interest charges – $17.3m for the quarter against $37m last time, and $80.3m for the 12 months, compared with $186.3m.

PFC reports sharp rebound

POWER Financial (PFC), Mr Paul Desmarais, the Montreal financier's financial services group, said earnings rebounded sharply in the second quarter and first half, writes Robert Gibbens.

Subsidiaries Great-West Life and Investors Group in Canada made higher contributions. PFC's 26 per cent holding in Pargesa, the big European holding company, also contributed more.

Second-quarter profit was C$90.7m (US$76.8m) or C$1.05 a share, up from C$55.3m or 62 cents a year earlier and in the first half C$135.7m or $1.56 a share, compared with C$91.9m or C$1.02 a share a year earlier.

Correction

Seiyu/ Wing On

WING On, the Hong Kong finance and distribution group, holds 40 per cent in a Hong Kong venture with Seiyu, the Japanese retail group. On July 2 the FT stated incorrectly that Wing On holds 20 per cent of Seiyu.

Uni Storebrand shareholders seek a shift in power

Karen Fossli on a surprise resignation and recent boardroom turmoil at Norway's largest insurer

The top echelons of Uni Storebrand, Norway's biggest insurer, have been in turmoil recently with the departure of the company's president and chief executive and the board tendering its resignation.

Now some of its biggest shareholders, frustrated at the lack of progress at the company, are intent on forcing a power shift within the company.

Disgruntled shareholders are campaigning for power within the company to be transferred to the board from the executive administration where it has languished under the leadership of Mr Jan Erik Langangen, who resigned last Sunday.

Mr Langangen's surprise departure came amid sharp criticism by shareholders from whom he had failed to win unconditional backing for a capital expansion of between NKr1.5bn ($258.6m) to NKr2bn being planned for the autumn.

The capital expansion will enable Uni to meet international capital adequacy requirements while giving the company "breathing space" over the next year to dispose of a NKr4.7bn, 28.3 per cent shareholding in Skandia Forsakrings, the big Swedish insurer. This stake was a key part of his strategy to create a pan-Nordic insurance alliance.

Shareholders' disillusion has grown in recent months over Mr Langangen's failure to create this alliance and the fruitless, hostile raid on Skandia.

The Skandia acquisition, they maintain, was a waste of resources on a grossly miscalculated risk which gave the company no influence over the Swedish insurer whose strict rules limit voting rights. In addition Skandia's powerful leader, Mr Bjoern Wolrath, has stymied the prospect of Mr Langangen making his vision a reality.

Shareholders were also disappointed at the progress Mr Langangen had made in the company following a merger two years ago between Uni Forsikring and Storebrand, out of which the group was created. They have seen Uni's Skandia investment plunge in value by an estimated NKr2.6bn as Uni's share price tumbled to NKr25 from NKr50, stifling its prospects for raising new capital.

Dissenting shareholders have demanded the resignation of Uni's board as a condition for participation in that key share issue. Seeing that his freedom to continue to decide company strategy had been significantly reduced, Mr Langangen withdrew as the board tendered its resignation.

Uni's board appointed Mr Per Terje Vold, deputy managing director of the group's life assurance company, as Mr Langangen's successor, but there are also questions over his future. His experience in the industry is limited to four years in the company although, to his credit, he was responsible for the successful clean-up operation in 1989 of Storebrand Finans, Storebrand's finance unit. It had plunged into deep losses after its lending portfolio had gone bad as a result of the domestic recession and dubious loans.

But there are also differences among the dissenting shareholders, of which Mr Vold's future as a president is only one element. Replacing all or part of the board is another, and so is the question of whether to replace senior executive staff, who had been loyal to Mr Langangen.

Mr Thorleif Borge, Uni's board chairman, will be forced out of his post, but he could remain a board member since he represents the interests of the Uni Foundation, Uni's biggest shareholder with a 26.6 per cent stake. Other big shareholders, however, may seek to have Uni Foundation's stake decreased.

The shareholders' strongest candidate to replace Mr Borge is Mr Torvild Aakvaag, chairman of the board of Norsk Hydro, Norway's biggest stock listed company, and a current member of Uni's board.

"Mr Aakvaag is an experienced industrial leader who could restore credibility to Uni Storebrand," one shareholder believes. It is also widely expected that Norsk Hydro will make a hefty contribution to Uni's capital expansion.

Shareholders want a change of the board. "With the existing board chairman being the former chief executive of Uni (Forsikring), it is clear the power of the administration of the merged company had grown too strong," one shareholder said. "I think most shareholders will see to it that Uni gets the capital it needs, but major changes to the board will have to be made," he warned.

Four out of Uni's top 10 shareholders are foreign interests, although there is no foreign board member.

"The merger of Uni Storebrand is not yet absorbed. There is still a lot of duplication. Expanding the company's capital is not enough. Assets need to be sold and although people are ready to invest in Uni, board and management changes are needed. If these changes are not made, Uni could find itself heading in the direction of Hafnia," a major foreign shareholder said.

Hafnia Holding, the beleaguered Danish insurer, saw its leadership toppled after it became clear the group was on the verge of technical insolvency.

The appointment of Uni Storebrand's new board is expected to be announced on August 10. The board will then have to decide the fate of the company's interim president and senior executive management.

In addition, details of the planned September share issue will have to be finalised and a strategy for the disposal of the Skandia shareholding agreed.

The new board will also make clear the business priorities which Uni's management will have to pursue and there is little doubt that improving efficiency of the group since the merger will be a top priority.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 31.07.92: Pool purchase price £/MWh	Final Prices for Trading on 03.07.92: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.71	17.70	17.70
0100	17.71	17.64	17.64
0130	17.71	17.64	17.64
0200	17.71	17.64	17.64
0230	17.71	17.64	17.64
0300	17.71	17.64	17.64
0330	17.71	17.64	17.64
0400	17.71	17.64	17.64
0430	17.71	17.64	17.64
0500	17.71	17.64	17.64
0530	17.64	19.39	21.45
0600	17.58	19.39	21.45
0630	17.64	19.39	21.46
0700	20.28	19.95	22.04
0730	20.78	22.89	24.86
0800	24.93	27.98	30.28
0830	24.30	28.23	28.43
0900	25.45	28.02	30.27
0930	27.98	28.06	30.28
1000	27.99	28.08	30.26
1030	25.51	28.12	30.28
1100	25.51	28.15	30.32
1130	25.51	28.22	30.41
1200	28.15	28.23	30.41
1230	25.51	28.18	30.35
1300	28.15	28.09	30.28
1330	25.51	28.03	30.19
1400	24.93	28.01	30.19
1430	24.30	27.98	30.17
1500	24.30	28.09	28.23
1530	24.30	28.09	28.24
1600	24.07	27.98	30.18
1630	28.76	28.00	30.20
1700	28.78	28.00	30.18
1730	28.01	28.00	30.17
1800	28.01	29.00	30.20
1830	28.76	25.55	27.71
1900	24.30	25.09	27.24
1930	22.78	24.72	26.88
2000	20.84	24.72	26.89
2030	18.75	24.42	26.59
2100	17.73	23.88	26.04
2130	24.07	23.60	25.74
2200	20.84	23.89	26.04
2230	27.07	23.88	26.05
2300	20.84	23.88	26.06
2330	20.41	23.88	26.07
2400	20.06	23.88	26.08

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.84/MWh becomes 1.684p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8.30am and 5.15pm Monday to Friday.

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INTERNATIONAL CAPITAL MARKETS

US bonds under pressure from mixed economic news

By Karen Zagor in New York and Sara Webb in London

US BOND prices came under pressure yesterday morning from mixed economic news and the increased supply in the market following this week's two-year and five-year note auctions.

GOVERNMENT BONDS

At mid-session, the Treasury's benchmark 30-year bond was ½ lower at 106⅔, yielding 7.457 per cent. Among shorter-dated maturities, the two-year note was off ⅛ to yield 4.316 per cent.

The market received something of a blow from the jobless claims for the week ended July 18, which dropped 21,000 when the market had expected a decline of 11,000.

In addition, new home sales for June were considerably higher than expected, advancing 7.9 per cent instead of the 3.8 per cent.

The market received some support from the release of second quarter gross domestic product data, with real GDP advancing at an annualised rate of 1.4 per cent compared with expectations of 1.8 per cent. The Federal Reserve addressed a soft Fed Funds rate by arranging overnight matched sales in the open market when Fed Funds, the rate at which banks lend to each other, were trading at about 3⅛ per cent. The draining manoeuvre did not come as a surprise with Fed Funds trading below the Fed's perceived target of 3¼ per cent.

■ EUROPE'S main government bond markets tumbled yesterday mainly on worries about the prospects for lower interest rates and European economic and monetary union. Furthermore, a fall in the US Treasury bond market overnight and during the day added to the markets' weak tone.

■ ITALIAN government bonds plunged as soon as the market opened following Wednesday's resignation of Mr Vicenzo Scotti, the foreign minister. Mr Scotti was strongly criticised yesterday for undermining the month-old coalition by leaving over a party row.

The futures contract, which opened at 92.01, fell to a low of 91.30 before stabilising at around the 91.45-91.60 level. Dealers noted selling of cash bonds out of Tokyo as soon as the market opened, and substantial selling by domestic investors during the day.

■ SPAIN, one of the other traditionally high-yielding European bond markets, witnessed a marked fall in bond prices.

The Spanish Treasury decided not to allocate any three-, five-, or 10-year bonds at its regular auction yesterday due to the steady fall in Spanish bond prices.

At the Treasury auction on April 30, 10-year bonds were sold at a yield of 10.91 per cent. However, since the Danish vote against the ratification of the Maastricht Treaty on economic and monetary union, the Spanish market has dropped sharply and yields on 10-year bonds were 12.21 per cent, against 12.09 per cent the previous day. Dealers had expected Spanish bond prices to pick up slightly on news that the Treasury was not going to issue any bonds at auction. But the market fell back, taking its cue from the other European markets.

■ FEARS about the outcome of the French referendum on the Maastricht Treaty in September sent French government bonds sharply lower yesterday, with foreign investors seen as particularly heavy sellers.

The market is likely to focus on next Wednesday's opinion poll concerning EC union to *see whether there has been a* swing against ratification of the Maastricht Treaty. The most recent polls showed about 55 per cent in favour of ratifying the Maastricht Treaty, with up to 40 per cent undecided.

However, dealers said market sentiment had not been helped by the government's poor showing in the opinion polls and the fact that unemployment has reached a record level, with 10.3 per cent out of work according to figures released yesterday.

The Matif futures contract ended the day 70 basis points lower at 104.76, the lowest close since August 1991, and fell further in after-hours trade to 104.62.

■ GERMAN government bonds plunged through their resistance levels to end sharply lower yesterday on concern about the prospects for lower interest rates.

The Liffe bund futures contract, which opened at 87.38, breached the 87.22 resistance level to end the day at 86.97. Dealers said the weak tone in the US and other European markets did not help sentiment, but that the market had chosen to focus on comments in the press by Mr Helmut Schlesinger, Bundesbank president, that interest rates will not come down soon.

Elsewhere in the D-Mark bloc, the Dutch central bank surprised the markets by increasing its special advances money market rate from 9.50 per cent to 9.60 per cent.

The move was intended to support the Dutch guilder against the D-Mark, and was not seen as a significant tightening in policy. Dutch bonds fell back in line with Germany and closed lower on the day.

■ UK government bonds fell by nearly a percentage point yesterday as jitters over the *French referendum on Maastricht* upset the gilt market, adding to the existing funding concerns. The gilt futures contract fell to 97.11 from 98.5 on a heavy volume of 51,420 contracts.

■ JAPANESE government bonds ended slightly weaker. The benchmark No 129 JGB, which opened with a yield of 4.90 per cent, closed at 4.91 per cent in Tokyo and moved to 4.94 per cent in the London trading session as European investors took profits.

The futures contract traded in a range of 104.93-105.06 and closed at 104.98.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	111.3096	+0.144	8.73	8.62	8.91
BELGIUM		9.000	06/01	99.9500	-0.200	9.01	8.96	8.87
CANADA *		8.500	04/02	107.0500	-0.700	7.46	7.63	8.17
DENMARK		9.000	11/00	97.3200	-0.380	9.46	9.27	9.07
FRANCE	BTAN	8.500	03/97	96.1769	-0.387	[illegible]	9.31	8.98
	OAT	8.500	11/02	95.4500	-0.900	9.18	8.95	8.79
GERMANY		8.000	01/02	98.9800	-0.445	8.16	8.09	8.02
ITALY		12.000	05/02	91.0700	-1.100	14.14†	13.81	13.22
JAPAN	No 119	4.800	06/99	99.1779	-	[illegible]	5.13	5.49
	No 129	6.400	03/00	108.0989	-0.330	[illegible]	4.99	[illegible]
NETHERLANDS		8.250	02/02	98.8800	-0.250	8.41	8.37	8.31
SPAIN		11.300	01/02	93.6500	-0.680	12.44	12.65	11.61
UK GILTS		10.000	11/96	101-22	-06/32	9.46	9.33	9.24
		9.750	08/02	103-16	-16/32	9.21	9.09	9.17
		9.000	10/08	100-00	-0.5/32	9.00	8.90	8.98
US TREASURY *		7.600	05/02	105-27	-16/32	6.68	6.75	7.15
		8.000	11/21	106-02	-13/32	7.47	7.57	7.80
ECU (French Govt)		8.500	03/02	93.3000	-0.850	[illegible]	9.46	8.94

London closing, *New York morning session. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents). Prices: US, UK in 32nds, others in decimal. *Technical Data/ATLAS Price Sources*

CBOT cleared to trade as overseas exchange in UK

By David Owen and Tracy Corrigan

THE CHICAGO Board of Trade was yesterday recognised as an overseas investment exchange in the UK, clearing the way for UK-based users of Globex, the screen-based futures and options trading system launched last month, to trade CBOT products.

The move was welcomed by the CBOT, which hopes that the authorisation will lift volume on Globex, which is languishing at under 2,000 contracts a day. Globex, developed by CBOT, the Chicago Mercantile Exchange and Reuters, the financial information and news company, gives subscribers in different time zones access to markets outside exchange trading hours.

City dealers can trade, throughout the European trading day, the CBOT's highly liquid futures and options on 10-year US Treasury notes, and on five-year and two-year notes. Prior to the ruling, these contracts could be traded on terminals in New York, Chicago and Paris.

The CBOT's long bond contracts, the CME's Eurodollar, Treasury bill and one-month Libor contracts are due to be listed on Globex on August 16.

Announcing the authorisation, Mr Anthony Nelson, economic secretary to the Treasury, said the government welcomed overseas exchanges that were well regulated and did not operate anti-competitively. "The Chicago Board of Trade meets these criteria and, through its activities on Globex, will bring an important increase in the range of choice available to investors," he said.

Group to investigate Italian bond problem

By Tracy Corrigan

A GROUP of banks, brokers and clearing houses are to form an action group to resolve the difficulties faced by international investors trying to reclaim withholding tax paid on Italian government bonds from the Italian authorities.

The group, headed by Euroclear and Cedel, and involving a number of international banks and brokers, will meet in London in August to discuss a fresh approach to the Italian Ministry of Finance.

A year ago, the Italian authorities issued rules on withholding tax refunds, known as Circular 12. Although the rules were widely billed as allowing foreign investors qualifying under double taxation treaties to reclaim withholding tax paid on Italian bonds, the procedure excluded market participants which have their tax residence in a different country from their clearing system or global custodian.

Such participants, who account for a large portion of the market, have been unable to submit refund claims, in spite of treaty entitlements according to Euroclear and Cedel.

The prospect of withholding tax refunds helped lift international interest in Italian government bonds last year. Currently, beset by economic problems and concerns about the future of European union, the Italian government bond market is at a low ebb.

Traders said such technical difficulties did not encourage international participation in the market.

● According to the International Swap Dealers Association's survey reported yesterday, losses in the swaps market account for 0.0115 per cent of the notional principal amount of swaps outstanding, not 0.115 per cent, as stated.

German futures market rejects price charges

GERMANY'S Futures and Options Exchange, the Deutsche Terminboerse (DTB), yesterday firmly rejected charges that futures operators were manipulating the market and deliberately pushing cash share prices lower, Reuter reports from Frankfurt.

Some stock commentators have said a recent decline on the cash market for German shares was a reflection of manipulation by DTB traders who had bought the futures contracts and sold underlying stocks which make up the 30-share German DAX index.

Mr Joerg Franke, one of DTB's two chief executives, said the sale of underlying stocks against the purchase of futures was part of the normal business of arbitrage.

Financial institutions test Swiss demand for FRNs

By Tracy Corrigan

THREE financial institutions yesterday took advantage of a pocket of demand among Swiss investors, to issue subordinated floating rate notes totalling $600m.

JP Morgan & Co, the US bank's holding company, Crédit Local de France, the French local authority financing agency, and the German government-backed Landeskreditbank all raised 10-year subordinated debt which counts as Lower Tier 2 capital under Basle capital adequacy rules.

INTERNATIONAL BONDS

All three deals were structured in the same way, with a floor, or minimum interest rate, of 5 per cent and a cap, or maximum interest rate, of 10 per cent. Dealers said that Swiss investors have been buying up "floored" floating-rate notes of strong credit quality in the secondary market for some time. However, the amount of paper available is limited, since little such debt has been issued since the mid-1980s.

With US interest rates at historically low levels, an initial coupon of 5 per cent proved attractive to Swiss investors. US money market rates are around 3¼ per cent. As a result, many Swiss investors were prepared to accept a cap of 10 per cent, in return for a high initial coupon.

Another important aspect of the paper's appeal was its high credit quality. Dealers said the market would likely be closed to investors rated less than double-A – a high cut-off point for subordinated debt issues, which generally have lower ratings than senior debt issues.

Dealers said Swiss demand for such paper was nevertheless finite, and the heavy volume of issuance yesterday had taken up much of the slack. JP Morgan's $200m issue arranged by Kidder Peabody was generally considered to have been the best received, due to the rarity of the name, and the benefit of a head start.

Elsewhere, Paribas arranged a $40m issue of floating-rate notes backed by the cash flows due from the sale of a Boeing 757 by Ansett Worldwide Aviation to the Argentine government.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Eagle 3 Ltd(b)††	52	(b)	100	1996	1/7½	Daiwa Europe
Aires Finance(c)††	39.291	(c)	97.00	1995	1⅛/½	Paribas Cap Mkts
LKB(e)††	150	(e)	100	2002	½/¼	J P Morgan Secs.
Crdt.Local De France(f)††	250	(f)	99.85	2002	0.50/0.25	Goldman Sachs Intl.
J P Morgan Secs.(g)††	200	(g)	99.85	2002	0.50/0.25	Kidder Peabody Intl
YEN						
Toho Gas Co.(a)†	10bn	6.15	101.5	2002	2/1.50	Nomura Intl
AUSTRALIAN DOLLARS						
VICFIN(d)†	160	9	101.35	2002	2½/1½	Hambros Bank

**Private placement. ‡Convertible. ◆With equity warrants. ††Floating rate note. †Final terms. a) Non-callable. b) Backed by a pool of US mortgages. Coupon pays 100bp above 6 month Libor. Non-callable. c) Coupon pays 200bp above 6 month Libor, payable semi-annually. Repackaging of cash flows due under sales agreement. d) Full name Victoria Public Financing Authority. Amount increased from A$125m. Non-callable. e) Coupon payable semi annually. Coupon pays ⅛ below 6 month Libor. Minimum interest rate 5%, maximum 10%. f) Amount increased from $200m. Coupon pays ⅛ below 6 month Libor. Minimum interest rate 5%, maximum 10%. g) Coupon pays 3 month Libor plus 12.5bp. Minimum interest rate 5%, maximum 10%. Non-callable.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7 10 pm on July 30

U.S. DOLLAR STRAIGHTS / OTHER STRAIGHTS / DEUTSCHE MARK STRAIGHTS / FLOATING RATE NOTES / SWISS FRANC STRAIGHTS / CONVERTIBLE BONDS: [illegible]

YEN STRAIGHTS

	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	100⅞	101⅛		4.10
CREDIT FONCIER 5 1/4 94	20000	101¼	102¼	+⅛	4.45
DENMARK 7 95	40000	106	106¼	-⅛	4.40
EIB 4 5/8 94	40000	101¼	101½	-⅛	3.87
ELEC DE FRANCE 5 5/8 96	20000	103⅝	104⅛		4.66
FINLAND 6 3/4 96	50000	105⅞	106¼		4.94
INTER AMER DEV 7 1/4 00	30000	111¼	111⅝	-⅛	5.44
KANSAI ELEC PWR 4 5/8 94	60000	100⅛	100⅝		4.39
NIPPON TEL & TEL 5 7/8 96	50000	103⅜	103⅝	-⅛	4.95
NORWAY 5 1/8 95	50000	101⅞	102		4.41
SNCF 6 3/4 00	30000	108½	108⅞	-⅛	5.35
SWEDEN 5 5/8 95	20000	102½	103		4.75
WORLD BANK 6 3/4 00	50000	109	109⅜	-⅛	5.28

CONVERTIBLE BONDS (continued)

	Issued	Cnv. price	Bid	Offer	Prem.
HILLSDOWN 4 1/2 02 £	150	3.97	[illegible]	[illegible]	
LAND SECS 6 3/4 02 £	84	6.72	78⅛	79⅛	+41.20
LASMO 7 3/4 05 £	90	5.64	74½	75⅛	
MITSUI BANK 2 5/8 03	200	2332.6	64½	66⅛	+57.16
MOUNT ISA FIN 6 1/2 97	100	2.263	102⅞	103⅞	+7.90
OGDEN 6 02	85	39.077	83	84⅛	+63.10
SEGA ENTERPRISES 3 1/2 96	200	13018	94⅛	95	+51.33
SMITH & NEPHEW 4 02 £	90	1.775	124⅜	125⅛	+59.72
SUMITOMO BANK 3 1/8 04	300	3606.9	63⅛	64⅛	+73.20
TEXAS INSTRUMENTS 2 3/4 02	300	82⅞	94⅛	95⅛	+89.86
THORN EMI 5 3/4 04 £	103	7.16	122⅛	123	+16.12

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn = The current coupon.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	0	73	8
Other Fixed Interest	0	13	2
Commercial, Industrial	217	284	938
Financial & Property	104	153	536
Oil & Gas	13	17	56
Plantations	0	0	9
Mines	30	31	88
Others	73	13	54
Totals	437	584	1,691

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

Issue price p	Amount paid up	Latest renunc. date	1992 High	1992 Low	Stock	Closing price p	+ or -
100	Nil	8/9	18pm	13pm	Kode International	15pm	
650	Nil	14/9	80pm	68pm	ML Laboratories	68pm	
15	Nil	1/9	1½pm	¼pm	Marling Industries	½pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. O Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. ◆ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. ▲ Units comprising 1 Ord and 1 Zero Div Pref share.

TRADITIONAL OPTIONS

● First Dealings July 20
● Last Dealings August 1
● Last Declarations October 15
● For settlement October 26

3-month call rate indications are also shown on this page.

Calls in: **Attwoods, Lloyds Chem., Medeva, Pentland, Psion and Wharfdale.**

LIFFE EQUITY OPTIONS

[illegible]

Option		Aug	Nov	Feb	Aug	Nov	Feb
Brit. Aero (*205)	200	17	33	41	14	32	35
	220	8	26	33	27	[illegible]	46
	240	[illegible]	19	25	41	58	61

July 30 Total Contracts 29,140. Calls 13,761 Puts 6,722. FT-SE Index Calls 3,380 Puts 2,469. Euro FT-SE Calls 680 Puts 266. *Underlying security price. † Long dated expiry months. Premiums shown are based on closing offer prices.

TRADITIONAL OPTION 3-month call rates

Stock	p	Stock	p	Stock	p	Stock	p	Stock	p
INDUSTRIALS		Charter Cons	37	Ladbroke	18	Sears	8½	**OILS**	
Allied-Lyons	49	Comm Union	[illegible]	Legal & Gen	29	Smkl Bchm A	60	Aviva Pet	25
Amstrad	6	Courtaulds	43	Lex Service	22	TI	56	BP	18
Astec (BSR)	3	Eurotunnel	32	Lloyds Bank	32	TSB	11½	Burmah Castrol	48
BAT Inds	58	FKI	6	Lonrho	12	Tesco	22	Conroy Pet	6½
BOC	53	FNFC	7	Lucas Inds	12½	Thorn EMI	63	Gaelic Res	½
BTR	35	Forte	[illegible]	Marks Spencer	27	T & N	11½	Premier Cons	2¾
Barclays	29	GKN	33	Midland Bank	30	Unilever	70	Shell	35
Blue Circle	24	Gen Accident	38	NatWest Bank	26	Vickers	15	Tuskar Res	½
Boots	34	GEC	17	P & O Dfd	37	Wellcome	75	**MINES**	
Bowater	60	Glaxo	52	Racal Elect	5½	**PROPERTY**		RTZ	47
Brit Aerospace	26	Grand Met	38	RHM	18	Brit Land	18		
British Steel	7	GRE	13	Rank Org	55	Land Sec	30		
BT	25	Hanson	18	Ratners	3	MEPC	26		
Cadburys	38	ICI	95	Reed Intl	44	Mountleigh	1½		

Cost cutting and plantations behind H&C rise

By Peggy Hollinger

FRANCE IS trading in croissants for cereal bowls, helping Harrisons & Crosfield, the chemicals, building supplies, food and agriculture company to report interim pretax profits 12 per cent higher at £40.6m.

"They have at long last discovered breakfast cereal," said Mr George Paul, chief executive. The group's breakfast cereal factory in northern France had performed "excellently" in the first half and would be expanded, he said.

The main impetus to profits, however, appeared to be a combination of cost-cutting and a 67 per cent improvement in H&C's traditional plantations business.

Higher palm oil prices helped this division to increase operating profits by £3.4m to £8.5m.

Mr John Maltby, chairman, said the group had seen no sign of an upturn in the UK, although there were slight signs of recovery in the US.

Group turnover fell by 4 per cent to £873m for the six months to June 30.

The dividend was maintained at 3.6p, barely covered by earnings of 3.7p (3.6p) per share.

Mr Paul defended the group's decision to maintain the dividend. "We are not trying to send any signal except confidence," he said.

Mr Bill Turcan, finance director, said the group could contain a maintained total dividend for the year of 9p, without exceeding its gearing target of about 60 per cent. Gearing at the half-year was 56 per cent.

Harrisons' timber and building supplies business showed a resilient performance in the US and the Republic of Ireland, and operating profits of that division rose by 13 per cent to £11.1m.

The chemicals division rose by 5 per cent to £17.2m, while food and agriculture fell from £16m to £14.8m. The latter division was lower due to the sale of a savoury flavours business at the beginning of the year, and a decline in malt deliveries.

The integration costs of BOCM-Silcock, the animals feeds business purchased for £67m in April, would come to £16m, said Mr Turcan. He added however, that that would be recovered through the sale of assets and sites. There would be no effect on the profit and loss account, he said.

See Lex

T Cowie ahead of offer forecast with 56% rise

By Maggie Urry

T COWIE, the car leasing, motor trading, bus and tractor group, announced a 56 per cent rise in pre-tax profits to £13.1m in the first half of the year.

The figure beat the forecast of not less than £11.5m Cowie made in its offer document for its £25m all-paper bid for rival Henlys Group.

Cowie's shares rose 4p to 132p, valuing each Henlys share at 66p under the 1-for-2 offer terms. That matches Henlys shares which were unchanged yesterday. Cowie's offer was accepted by only 0.6 per cent of Henlys shareholders at its first closing date. Cowie can change the terms of its offer until August 18.

Cowie's increase in operating profits was a more modest 12.8 per cent to £31.5m, on sales up 10.7 per cent to £322.6m. Interest charges fell from £20.1m to £19.3m. The group is highly sensitive to falling interest rates, each percentage point cut adding £2.4m to pre-tax profits.

However, the group had capped 90 per cent of its borrowings, which totalled £315m or 321 per cent of shareholders' funds at the half-year end, so that it would be relatively immune to any rise in interest rates, Mr Gordon Hodgson, chief executive, said.

The group gives a divisional break down of its profits at the pre-tax level. Its vehicle leasing business increased profits by 64 per cent to £8.2m on sales 26 per cent up at £124.8m. Acquisitions, which added 9,000 vehicles to the fleet taking it to 60,000, led to economies of scale which boosted profits. Lower interest rates also helped.

The motor division's profits rose to £3.5m (£3.2m). The group is expecting to benefit from some relaxation of franchise restrictions.

Profits of Cowie's Grey-Green bus business, which operates a number of routes in London, rose from £507,000 to £854,000. Its bus and coach distribution side made £941,000 (£349,000) and the agricultural division put in £147,000 (£143,000).

After a tax charge estimated at 30 per cent (25 per cent) earnings per share rose by 46 per cent to 6.68p. As indicated in the offer document, the interim dividend is 2p (1.5p).

Pearse announces break-up of branch network into five regions

Midland management shake-up set in train

By Robert Peston

MR BRIAN Pearse, Midland Bank's chief executive, yesterday sounded the death knell for the group's complicated management structure.

He also performed the last rites over two of its trading names, Midland Group, which since the mid-1980s has been used to describe the parent company, and Midland Montagu, which embraced investment banking and some corporate banking.

Under the ownership of Hongkong Bank, Midland is being simplified. However, Mr Pearse said many of the changes had been planned long before the takeover.

"When I joined the bank [in the spring of 1991], it was a nightmare", he said. "The management arrangements were too complicated."

There will now be six business units.

- Branch banking, under Mr Chris Wathen.
- Corporate and institutional banking, run by Mr David Thornham.
- Financial services, under Mr Kerry Alberti.
- Forward Trust, the finance house, and Firstdirect, the telephone bank, under Mr Graham Picken.
- Treasury, run by Mr Guy Heald.
- Merchant banking, run by Mr Christopher Sheridan.

These posts report directly to Mr Pearse. As a result, two senior Midland jobs become redundant – the head of the UK bank and the head of Midland Montagu. So Mr Gene Lockhart and Mr George Loudon, who filled these respective roles, have left.

In the coming weeks, about 100 middle managers employed by Midland's head office and centrally managed operations will also depart due to the integration with Hongkong Bank.

Meanwhile, commercial banking on the Continent and support services – the finance department, risk management, personnal and legal services - will report to Mr Keith Whitson. The newly appointed deputy chief executive, who was transferred from Hongkong Bank, will also report to Mr Pearse.

But probably the most important management change is the break-up of the branch network into five regions, each with its own general manager.

Mr Pearse stressed that these were senior posts and that the general managers would have direct contact with him - so in that sense, Mr Wathen is *primus inter pares* in his relations with these managers, Mr Pearse said.

Mr Pearse is at pains to stress the seniority of these new posts for two reasons. First he needs to reassure the incumbents, at least two of whom – Mr Bob Wyatt, formerly deputy managing director of corporate banking, and Mr David Baker, retail banking director – may feel that they have moved down a notch in the hierarchy.

Second he is genuinely committed to devolving power to the regions. He believes that in the 1980s the big banks' ability to control risk and meet customers' needs was impaired by a centralisation of decision-making - and that the huge loan losses they all face has been the price paid.

The regional general managers will devote considerable resources to improving the service offered to corporate customers, aided by a parallel process of unifying Midland's corporate lending operations.

About 300 Enterprise branches and branch sections, providing loans of up to £75,000 to small companies, will disappear.

They will be integrated into the main branch network, thereby abolishing the distinction between very small business loans and slightly bigger loans.

In addition, over the coming year, the regions will also assume responsibility for banking relationships with all UK companies, except the 700 biggest ones.

These more medium-size relationships are currently managed by David Thornham's corporate banking unit. He will, however, gradually take control of Hongkong Bank's UK corporate banking operations. As a result of these changes, some of Midland's specialist corporate lenders will be redeployed.

The aim, said Mr Pearse, was for the bank to increase market share in order to achieve any serious growth in the business. This was necessary because Mr Pearse is pessimistic about the outlook for growth in the UK banking market.

Mr Pearse also stressed that the regional managers were conscious that they must not drop their lending standards in order to win new business.

However some companies and individuals may choose to bank with Midland simply because they perceive it to have become more robust under Hongkong Bank's ownership. Indeed, Mr Pearse said that the bank had indeed attracted a significant number of new clients for this reason.

But the task of rebuilding Midland is only half done, he said. Only days away from his 59th birthday, he does not know when he will retire – but he will be around until "the job is complete."


Trevor Humphries

Leading a streamlined team (from the left) Sir Peter Walters, chairman, Brian Pearse, chief executive, Richard Delbridge, finance director, Keith Whitson, deputy chief executive

Second quarter setback behind 7% downturn at Hepworth

By Andrew Bolger

HEPWORTH experienced steady trading in the first three months of this year, but the second quarter saw a further decline in demand from its main UK markets.

The building materials and home products company reported a 7 per cent decline in pre-tax profits to £32.8m for the six months to June 30 on turnover 3.6 per cent lower at £319.1m.

However, the group said trading in the important continental markets had been reasonably good, with Saunier Duval, its gas boiler maker, performing particularly well.

Building products benefited from buoyant demand for European clay pipes and held profits at £11.9m on flat turnover, in spite of worsening trading conditions in the UK.

Management was continuing to introduce new products and a reduction in the division's UK workforce from 2,400 to 2,000 had already been announced, costs of which would be taken in the second half.

The home products division, which experienced reduced UK demand for its gas boilers and garage doors, saw profits fall from £7.3m to £6.3m on turnover of £49.8m (£52.6m).

Saunier Duval raised profits to £13.5m (£10.5m) on turnover of £90.9m (£75.6m). Demand for combination boilers remained buoyant in its main French and Spanish markets and the outlook remained favourable.

The worst performance came from refractories where weak demand worldwide saw profits fall from £9.2m to £4.6m on turnover of £64.6m (£78.5m).

Management responded by significantly reducing the cost base and further rationalisation is being implemented. The group warned that these costs would fall in the second half, and full-year profits would be much lower than last time.

Reduced demand also affected the mineral and chemicals division, but a reduction in costs made last year partly mitigated the impact of weaker trading. Although turnover dropped from £51m to £38.5m after a disposal, profits fell just £300,000 to £5.5m.

Gearing dropped from 33 per cent at the year-end to 25 per cent.

Capital expenditure had been curbed in the light of deteriorating market conditions, although heavy investment was continuing at Saunier Duval.

Earnings per share were 11.3p (12.2p). The interim dividend is held at 5.5p.

● COMMENT

Hepworth is clearly a class act in the bombed-out building products sector, but that was not enough to prevent the shares being marked down in May after it became clear there was going to be no immediate post-election boom in the UK. These results are respectable, given the present trading conditions – although cost-cutting might reduce full-year profits by £3m – and the company's caution following destocking of its boilers by merchants. Overseas business now accounts for more than 40 per cent of profits and sales, partly because the UK is so flat. What is impressive is the way Hepworth keeps on cutting costs and improving products, and not just waiting for the upturn. The shares closed 4p higher at 310p putting them on a prospective multiple of just under 16. Hepworth remains one of the best quality recovery plays.

Unitech hit by slowdown in Japan

By Roland Rudd

THE SLOWDOWN in the Japanese economy adversely affected Unitech, the international electronics group, which suffered a 35 per cent fall in pre-tax profits for the year to May 31.

Pre-tax profits fell from a restated £18.5m to £12m on sales of £251.8m, down from £256.7m.

The propopsed final dividend is halved to 3.75p, making a total of 5.85p, compared with 11.7p.

Mr Peter Curry, chairman, said: "There was a very significant fall in demand in the second half. We had to move some of our high cost production facilities out of Japan into Malaysia."

This was reflected in exceptional restructuring costs of £2.13m against £1.3m in the previous year. Trading profit amounted to £19.3m (£26.7m) before exceptional costs.

Trading in Japan has a significant effect on the power supplies division. Sales of Nemic-Lambda KK, its Japanese power supply subsidiary, fell by 8 per cent against a growth of 18 per cent.

Demand was flat in North America. Profit from this source fell from £19.8m to £13.5m.

The Far East is still the biggest profits source accounting for 42 per cent compared with 32 per cent in Europe (the UK accounts for less than 10 per) and 26 per cent in North America.

Mr Curry said all the company's markets outside Japan appeared to be static or showing signs of slight improvement.

An extraordinary gain of £4m related to the sale of Rathdown Industries, a manufacturer of pay phones.

This helped reduce net debt from £54.5m to £40.9m and gearing from 61 per cent to 48 per cent of net assets.

Earnings per share fell to 7.3p (11.5p).

● COMMENT

The dividend cut reflects the group's difficulty in being a UK-based group with an international business. An increasing percentage of the profits is earned outside the UK and given that this trend is set to continue, additional tax outlays could be incurred from unrecovered advanced corporation tax without a cut in the dividend. The high tax rate of 44.3 per cent, due to the Japanese businesses, has to be set against a strong balance sheet coupled with a mix of businesses ready to benefit from any worldwide economic recovery. With forecasts of pre-tax profits of £10.4m, giving earnings per share of 8.3p, the shares – which rose 6p to close at 144p – are on a prospective multiple of 17.3. The premium rating is probably fair since either the Swiss group Electrowatt or the Italian lawyer Tito Tettamanti, who between them own just over half the company, may make a bid.

Buoyant export markets help Dale Electric surge 50%

By Peggy Hollinger

ROBUST EXPORT markets helped Dale Electric International, the Yorkshire-based power and lighting company, report a 50 per cent rise to £1.9m in 1991-92 profits before tax and exceptional items, in spite of a small drop in sales.

Mr Iain Dale, chief executive, said exports had jumped from 40 per cent to 55 per cent of turnover last year. Overall, sales fell from £56.6m to £55.9m for the year to May 3.

Demand in the Pacific Rim continued to be strong, Mr Dale said, while the UK remained depressed. "Ten years ago we invested heavily in the export market," he said. "That investment has helped us to sustain recovery in these difficult times."

He added, however, that Dale might struggle in the dollar denominated export market if the currency remained weak.

Pre-tax profits were buoyed by lower interest charges of £1.9m (£2.3m) and a £395,000 increase to £456,000 in the contribution from associated companies. The restated 1.02p loss per share moved back into the black with earnings of 10.15p. The final dividend is maintained at 3.1p, for a same-again 5.1p total.

Life Sciences bucks US trend with 10% increase to £8.5m

By Roland Rudd

Life Sciences International, the scientific instruments company, continued to buck the continuing recession in the US, its largest market, by reporting a 10 per cent increase in pretax profits for the half year to June 30.

Pre-tax profits rose from £7.74m to £8.48m on sales of £50.7m, up from £39.5m.

Mr Christopher Bland, chairman, said: "In the first six months of the year we have experienced the toughest conditions since new management took over five years ago."

He reported a recent strengthening of demand in North American markets, which account for about two thirds of group sales.

While European markets showed some signs of recovery, Mr Bland said the Japanese market remained sluggish.

The issue of new shares to acquire Neslab, a New Hampshire temperature control company, and a higher tax charge, affected fully diluted earnings per share which edged up to 3.8p (3.7p).

The interim dividend was increased from 1.15p to 1.2p.

Henry Ansbacher climbs 73% to £1.91m

By David Barchard

PRE-TAX PROFITS at Henry Ansbacher, the merchant banking group, rose by 73 per cent in the half year to June 30, after a strong performance from its offshore operations and asset trading department.

Mr Richard Fenhalls, chairman, said that the increase had been achieved despite the recession and without any improvement in market conditions in the UK or the US.

Talks about a possible takeover by Singer & Friedlander are continuing but the group declined to give further details.

Two of Ansbacher's main shareholders – Pargesa, the Swiss investment group controlled by Belgians and Canadians, and Groupe Bruxelles Lambert, which together own about 62 per cent of the shares – have been in contact with Singers for over two months.

Pre-tax profits, after all provisions, were £1.91m, compared with £1.1m last time. In the year to December 31 1991, the group incurred a pre-tax loss of £8.23m.

Its banking operations continued to shrink. The total loan book net of cash backed loans was £99.1m at the end of June compared to £155.5m a year earlier. Corporate finance was said to have done well.

Losses by the mergers and acquisitions division were said to be well down on those of 1991 as a result of cost reductions made in July 1991. The New York mergers and acquisitions operation will be wound down gradually, allowing remaining senior staff to serve out their contracts while the rump of its operations in London have been merged in the group's corporate finance department.

Group central costs were up by 4.7 per cent, from £523m to £548m.

Earnings per share were 0.3p (losses of 0.2p).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
CIA § ...int	1.32	Oct 5	1.15	-	3.75
Cowie (T) ...int	2	Oct 2	1.5	-	4.875
Dale Electric ...fin	3.1	Oct 9	3.1	5.1	5.1
European Assets ...int	0.08‡	Sept 23	0.08	-	0.19
Freeman Gp § ...int	2	Oct 22	3	-	3
H'sons & C'field ...int	3.6	Dec 14	3.6	-	9
Hepworth ...int	5.5†	Nov 2	5.5	-	14.85
ICI ...int	21†	Oct 5	21	-	55
Jacobs (John I) ...int	0.5	Oct 29	0.5	-	1.9
Jersey Phoenix ...fin	1.5*	Sept 24	1.875	5.25	5.25
Life Sciences ...int	1.2	Oct 9	1.15	-	3.35
Midland Bank ...int	nil	-	1.7	-	3.4
Novo ...fin	nil	-	1	nil	1.6‡‡
Ramsden's (H) § ...int	1	Sept 28	1	-	4.5
Ransom (Wm) ...fin	1.245	Oct 1	1.109	1.77	1.594
Saville Gordon ...fin	1.7	Oct 27	1.7	2.2	2.2
Templeton Emerg ...fin	1.8	Sept 11	2.5	1.8	2.5
Unitech ...fin	3.75	Oct 1	7.5	5.85	11.7

Dividends shown pence per share net except where otherwise stated. *Gross. †On increased capital. §USM stock. ‡Dutch guilders. ‡‡For 18 months.

CIA's 27% rise bucks trend

By Peter Pearse

CIA Group, the independent media-buying concern, bucked the sector trend in the first half of 1992 with a 27 per cent rise in pre-tax profits from £1.47m to £1.87m.

Tight control of costs was given as a principal cause for the improvement.

Further, the USM-quoted group revealed that this time a higher proportion of its profits were from trading – 56 per cent, against 46 per cent – and that this growth was both organic and by acquisition.

Turnover rose to £116.3m (£79.3m). Of this, organic growth accounted for £10m domestically and £14m internationally, with new companies – Maedia Solutions and the 20/20 Media joint venture – contributing an extra £13m.

The group put on £48m of new business and lost only £5m.

Although Mr Chris Ingram, chairman and chief executive, said that the the UK performance had been "pleasing", CIA International had been the star – its turnover more than doubled.

However, Mr Peter Toynton, finance director, said that expansion on the international side, of which 85 per cent is in Europe, was "cautious", even "boringly so".

"We are a numbers business," said Mr Ingram, "and we have seen what happens when others buy blind."

The group increased its cash by about £1m to £8m, giving the opportunity to selectively acquire "good, well-run companies which are now cheaper than they were a few years ago".

Earnings per share expanded to 8.59p (6.82p).

The interim dividend is raised from 1.15p to 1.32p.

Striving to cap bid speculation

Neil Buckley reports on the factors behind Lasmo's low share price

LAST December, Lasmo was the toast of the City after pulling off its audacious £1bn takeover of rival oil company Ultramar. Seven months later it has watched its shares plummet, and is the subject of bid rumours itself.

Lasmo's directors joke that they have years of experience of opening the morning papers to read that companies are about to attempt to take them over.

"People can say that any company bigger than we are might be interested in buying us," says Mr Chris Greentree, chief executive. "Only there aren't so many companies that are bigger than us any more."

Nevertheless, Mr Greentree and his colleagues, who announced first-half results well above analysts' forecasts on Wednesday, might be forgiven for feeling disappointed by the persistence of the speculation, and a share price which stands at about a 20 per cent discount to the most pessimistic net asset valuations.

Even oil industry analysts admit that the pressure on the share price is a classic example of City short-term thinking and distrust of companies that do not make fast profits.

For in the longer term, there is much positive to be said of Lasmo. It is investing in 20 oil and gas fields in five countries, all due onstream by the end of 1994. These should add 40 per cent to the company's average production of 184,000 barrels of oil equivalent a day – a figure which has itself increased by more than 100,000 b/d in the last year.

Despite the problems experienced with floating off Ultramar's US downstream assets, the takeover achieved its objective of creating a strong exploration and production company with considerable reserves concentrated in the UK North Sea and Indonesia.

In the North Sea, Lasmo has a number of interesting developments, notably the Markham field in the southern gas basin – the first project to export UK gas to the European market.

Indonesia accounts for more than 40 per cent of reserves. And the company's share of reserves in its biggest interest, the Sanga Sanga production-sharing contract in Kalimantan, were recently increased by 34.1m barrels to 454.7m barrels.

Gas from the field will be processed at the Bontang plant, currently being developed into the biggest liquefied natural gas plant in the world, giving Lasmo a significant foothold in the huge LNG market in the Pacific Rim.

Mr Greentree says pessimistic City forecasts overlook the importance of these Indonesian assets.

"Indonesia is a huge earnings generator, but is one of the least understood parts of our business."

The forecast production increase, moreover, refers only to developments under way, and takes no account of possible success with the drill bit. Only last week, oil was discovered on acreage in which Lasmo has a 30 per cent share in the Irish Sea, four miles off the coast of Southport, Merseyside.

As well as selling some parcels of non-core acreage, Lasmo is also trying to arrange swaps.

The recent deal with BP, which left it with some attractive gas prospects adjacent to its Markham and Caister fields, highlighted the merits of this approach.

Exploration spending will have to fall, however, to only £136m this year, and could be less than £100m next year.

This is mainly because Lasmo is at a particularly capital-intensive phase in its cycle.

The 20 ongoing developments raised capital spending to £184m in the first half of this year, compared with £129m in the same period in 1991.

It is this factor, together with the £291m loss incurred on the disposal of Ultramar's downstream assets, that has caused gloom in the City. Before new developments come onstream, Lasmo faces a period of high spending, high debt, and probably unimpressive earnings.

This week's results looked encouraging at first glance, with £26m net earnings outperforming all forecasts. But they were flattered by a holding charge of £22m, representing capitalised interest costs from carrying Ultramar's downstream businesses.

"In the long term, they look very good indeed, but in the short term all the worries on the dividend and earnings are still there," said Mr Rob Arnott, oil analyst at Hoare Govett in London.

Attention is also focused on gearing which, with total debt at £914m, stood at 80 per cent on June 30.

Trevor Humphries

Chris Greentree: Indonesia is a huge earnings generator, but one of the least understood parts of our business.

The company believes, however, that gearing can be kept under control through its rationalisation programme.

It expects to raise about $170m (£89m) from the sale of Ultramar's US upstream assets and the remaining 50 per cent of its interest in Lasmo Canada, and hopes to make further disposals of non-strategic UK assets worth up to $100m by the end of next year.

The real wild card in the pack is the price of crude oil. Mr Michael Pavia, finance director, said a £1 per barrel rise in the sterling price, whether through a change in exchange rates or a rise in the dollar price, would add $40m to cashflow.

Without such an upturn in the crude price, however, the share price looks set to remain low. If so, the bid speculation will continue.

Some analysts even suggest that the price may have been driven down so far in the hope of a bid, which could revitalise the whole of the subdued oil sector.

Larger companies, they say, will inevitably be looking at Lasmo, and valuing the whole package over the long term in the way the City does not.

Mr Arnott says that now is the time a bid could emerge, with the share price looking attractive and the interim results and balance sheet just published.

Mr David Basham, at Kleinwort Benson, disagrees, arguing that few oil companies would be in a position to make a bid that could total £3bn. They would have to wait until their own earnings start to pick up, which would not be before 1993 or 1994.

NEWS DIGEST

Novo calls for £9m as profits jump

NOVO GROUP yesterday announced a sharp rise in profits, an £8.8m rights issue to help fund a £3.3m acquisition, and a capital reorganisation.

For the 12 months to March 31 profits at the pre-tax level rose to £1.08m helped by the acquisition in April 1991 of Novo Communications for $14m. Turnover amounted to £12.8m.

The figures compared with £158,000 and £9.45m for the preceding 18 months. Earnings were 10.1p (1.44p).

The group, formerly EMC, is a provider of inventory management, storage and distribution services to the film and television industries.

The underwritten rights issue is of 29.38m new ordinary shares on a 16-for-8 basis at 30p per share. Some £3.3m of the £8.8m will be used to acquire Walport International together with the 50 per cent of Walport Telmar Scandinavia not already held by Walport International.

Walport is the world's largest supplier of rented visual entertainment to the commercial shipping industry.

The capital restructure involves the conversion of the 1m 6 per cent convertible preference shares into 3.33m new ordinaries; the conversion of the 2.14m 10 per cent cumulative convertible redeemable preference shares into 7.12m new ordinaries; the redemption of the 2.14m 10 per cent cumulative redeemable preference shares at par; and repayment of the outstanding loan notes, which were used in respect of the acquisition of Dataguard, for $4.25m (£2.2m).

The directors said the "geographical mix of the group's earnings and its unwieldy loan structure" had combined to prevent it paying its preference dividends. The ordinary payment is therefore omitted – a 1.6p total was paid for 1991.

William Ransom advances by 68%

William Ransom & Son, the pharmaceutical products manufacturer, reported pre-tax profits 68 per cent higher in the year to March 31.

On turnover 15 per cent ahead at £6.91m pre-tax profits were £677,000 (£402,000). Earnings per share came out at 3.04p (1.84p) and the proposed final dividend of 1.245p raises the total to 1.77p (1.694p).

An extraordinary charge of £309,000 left the year's profit at £160,000 (£283,000). The figure related to the costs of an aborted property purchase.

John I Jacobs falls £0.41m into the red

John I Jacobs, the ship owner and broker, fell £408,000 into the red in the six months to June 30. There were profits of £270,000 previously.

Turnover dropped to £1.13m (£2.06m) and the pre-tax result was after a provision of £300,000 (£127,000) against the group's interest in PLT, formerly Property Lending Bank.

An exceptional credit of £50,000 (£75,000) represented the release of part of a provision for broking department development.

Interest payable amounted to £224,000 (£232,000).

Losses per share were 1.72p (0.57p earnings) but the interim dividend is maintained at 0.5p. There was an extraordinary credit of £2.91m from the sale of Jacobs Offshore.

Net assets up 9.6% at European Assets

European Assets Trust reported net asset value ahead 9.6 per cent, to Fl 8.24, at June 30.

The rise in sterling terms was lower, at 7.3 per cent, reflecting sterling's strength against the guilder.

Net income for the six months amounted to Fl 3.49m, against Fl 2.87m although directors said that the result should not be taken as an indication for the full year.

The interim dividend is maintained at Fl 0.08, payable from earnings of Fl 0.14 (Fl 0.11) per share.

Finsbury Smaller net asset value improves

Finsbury Smaller Companies Trust had a net asset value of 115.1p at June 30 compared with 97.9p a year earlier and 104.8p at its year end on December 31.

Gross income for the half year fell to £256,000 (£351,000) with dealing profits down to £12,000 (£101,000). Net revenue emerged at £49,000 (£151,000) for earnings per share of 0.6p (1.9p). As already announced, an unchanged interim dividend of 1p will be paid on July 31.

Continental Assets revenue ahead

Continental Assets Trust reported a basic net asset value of 170.68p per share as at June 30, down from 177.59p a year earlier.

The fully diluted value declined to 159.14p (164.92p).

Net revenue of the trust, which specialises in small companies and "alternative" markets on the Continent, amounted to £289,000 (£214,000) for the six months to end-June.

Harry Ramsden's ahead to £76,706

Harry Ramsden's, the USM-quoted fish and chip restaurant group, lifted pre-tax profits from £73,559 to £76,706 in the half year to March 29.

Following the success of the Glasgow and Heathrow franchises, Mr John Barnes, chairman, said the company was on track to open up to 15 restaurants in the UK and the Republic of Ireland by 1995 and there were plans to open franchised outlets in the Pacific Rim and the Middle East.

He said the highlight of the second half would be the first international opening in Hong Kong, which forms the basis of the expansion in the Pacific Rim.

Turnover of £728,288 (£714,631) originated from the Guiseley restaurant only. Earnings per share rose to 0.9p (0.8p) and the interim dividend is held at 1p.

Dunkeld returns to profits of £0.6m

Dunkeld Group, the clothing manufacturer formerly Aitch Holdings, returned to profits in the six months to May 31. However, expected second half losses, due to trading patterns, should reduce this for the year.

The new management said the turnround was achieved by a large reduction in costs and substantially higher profits by subsidiaries. Under its reorganisation 10 offshoots were closed or sold.

Mr Stuart Hollander, chairman, said that its two ladies' wear companies were expected to show higher profits for this year than last. He added that the company was looking at ways of eliminating the deficit on shareholders' funds and resuming dividend payments.

Pre-tax profits were £626,000, compared with losses of £995,000 and losses of £7.32m for the year to November 30, which included exceptional costs of £2.86m. Turnover fell from £18.7m to £12m. Earnings per share came out at 0.9p (losses of 1.8p).

92% take up Hickson open offer

Valid acceptances regarding the open offer of 12.75m new shares allotted by Hickson International in consideration for Angus Fine Chemicals have been accepted in respect of 11.78m shares, or 92.4 per cent.

The balance of 966,040 new ordinary shares have been placed by Lazard Brothers.

Marginal assets fall at Jersey Phoenix

Jersey Phoenix Trust reported net asset value of 90.5p per share at June 30 against 90.8p a year earlier.

Net profits for the year amounted to £797,652 (£813,275) equal to earnings of 5.3p (5.4p) per share. A final dividend of 1.5p holds the total at 5.25p.

Hotspur net asset value shows 3% rise

Hotspur Investments, an investment trust ultimately controlled by trustees of the 7th Duke of Northumberland's Will Trust, saw its net asset value climb to 323.24p per share by July 30.

The figure represented a rise of some 3 per cent on the value 12 months earlier.

Attributable revenue for the six months to end-July came to £22,437 (£35,683) for earnings of 3.63p (6.78p).

THE PROPERTY MARKET

Vanessa Houlder on Vienna's city centre proposals

Sea-change on the Danube

The Donau-City could be Austria's answer to Canary Wharf. The 3.85m sq ft project on the sparsely populated east bank of the Danube is destined to become Vienna's second city centre. The scheme will cost AS15bn (£750,000m), making it one of the most ambitious in Viennese history.

The project is to be developed by WED (the Vienna development company for the Danube area), a consortium owned by eight of Vienna's leading banks, two insurance companies and Nomura Securities, the Japanese broker. The group was formed last year to exploit the land which became available when the city abandoned plans to hold a World Expo on the site in 1995.

The project is supported by the city authorities, which have a small stake in the project. The authorities are anxious to bring business back to the long-neglected banks of the Danube and to rebalance the development of the city. "Both halves of the city to the left and to the right of the Danube must be developed equally and simultaneously," said Mr Hannes Swoboda, city counsellor for urban planning.

The ambitious scheme testifies to Vienna's belief that it is reclaiming its historically important role in the heart of Europe. "If Vienna accepts the challenge, Donau-City could become the symbol of Austria's new regional and international role," says WED.

The developers play down comparisons with La Défense in France or Canary Wharf in London, stressing that Donau-City will be a well-balanced mix of commercial and residential space. Indeed the developers dislike comparisons with any other schemes, claiming, somewhat improbably, that Donau-City is developed around "radically new urban concepts".

Picture of future: artist's impression of Donau-City

"It will not be a sleepy, satellite town but a lively mixture of offices and business," WED declares. It will not be a city that buries its inhabitants under concrete and traffic but a city that lets its inhabitants breathe.

The promise of "inspirational" architecture arouses some scepticism among local critics. And the artists' impressions of slab-like blocks, sometimes elevated on stilts, is vaguely reminiscent of post-war architecture in the UK.

But the scheme, which is set beside a park close to the United Nations complex, will have a pleasant setting and is only a seven minute journey by underground from the city centre. WED's heavy infrastructure costs – in particular arising from the need to rebuild a motorway nearby – will force it to charge some of the most expensive rents in Vienna.

Phase 1 – work on the motorway – is due to start towards the end of the year. The buildings in the first phase will be completed at the end of 1996 but construction could be delayed – or even postponed – if the developers fail to attract tenants before building starts. Persuading tenants to move to these buildings could be difficult, since the buildings' location is relatively isolated.

The uncertainty surrounding the viability of Donau-City underlines the nervousness of a property market that is going through a period of upheaval. Demand has increased in the past couple of years as international groups such as IBM and Hewlett Packard, both computer companies, have chosen Vienna for their east European regional headquarters.

A feasibility study by Jones Lang Wootton, the surveyors, and Nomura Research, found that in terms of establishing regional headquarters for eastern Europe, Vienna was ranked second behind Berlin. The city is highly rated for its political and economic stability and for its quality of life and environmental factors.

WED also believes that Vienna could emerge as a centre for environmental and energy planning, to address serious problems in the former eastern bloc. The city is a popular choice for international bodies; it is home to several United Nations organisations, the International Atomic Energy Authority and Opec.

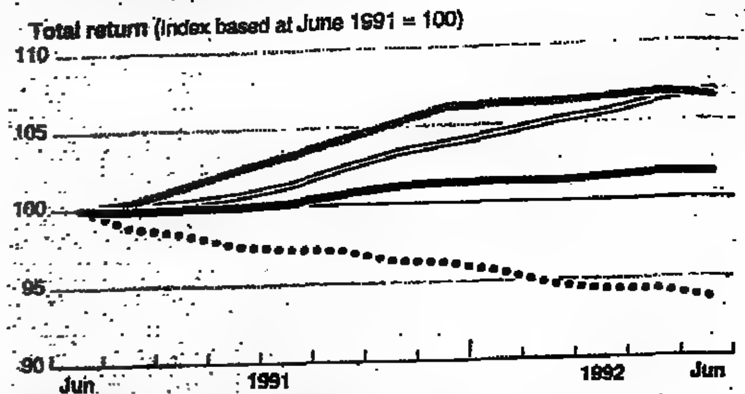
But concern is mounting among investors that with the rising tide of construction activity in Vienna – fuelled by rapid increases in rents over the past five years, relaxation of restrictive landlord and tenant laws, and the political changes in eastern Europe – there will be an oversupply of office space in a city that traditionally has been ignored by developers.

More than 20 new schemes are under construction or in the pipeline. If these are completed vacancy rates could increase from 1-3 per cent at present to 8 per cent within five years, says Jones Lang Wootton. Many developments, though, may fall by the wayside. "Scare stories of oversupply are unrealistic because a lot of projects will not be built," says Mr Martin Lenikus of Lenikus Consulting, a local agent.

Nonetheless, some critics still believe that the construction of Donau-City would result in a glut of space. For that reason, critics say the scheme may yet be grounded. But Mr Michael Hodges, a partner of Jones Lang Wootton which has carried out work on the project's viability, is cautiously positive. "While the scheme will undoubtedly prove a further test to the resilience of the office market, it will nevertheless provide Vienna with a new and important milestone as an office centre," he says.

IPD monthly index

Total return (index based at June 1991 = 100)



Monthly change (index based at Dec 1986 = 100)

	Jun 1992	May 1992	Change
IPD	167.68	167.85	–0.17
Retail	154.81	153.90	0.91
Office	160.17	161.42	–1.25
Industrial	233.01	233.82	–0.81

IPD / Retail / Office / Industrial

Stable period ends

Total returns in the commercial property sector fell in June, following several months of apparent stabilisation, according to the Investment Property Databank, a research group.

Yields continued outwards, placing pressure on capital values, which fell by 0.8 per cent, their largest monthly fall this year. Rental values dropped by the same amount.

IPD said the fall in returns by about half a point to -0.1 per cent, points, in part, "to a lack of confidence in the market".

In spite of the dip in returns, performance for the second quarter showed some improvement over the previous quarter. Rental value rose from -2.3 per cent to -2.0 per cent, capital growth remained static at -1.7 per cent, while total return improved slightly to 0.4 per cent.

Taken year-on-year, all three measures turned for the worst. Capital values and total returns, which had been steadily improving, recorded -6.1 per cent and 1.7 per cent respectively for the year, compared with -5.7 per cent and 2.0 per cent for the year to May.

The biggest change of fortune was suffered by industrial property. The greatest rental value decline yet recorded by the IPD Index combined with the highest yield to produce the largest fall in capital values for 18 months. The retail sector was the only part of the market to show a positive return in June.

COMPANY NOTICES

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(In voluntary liquidation)

The above named company was placed in voluntary liquidation on 7 May 1992. At that date there were former shareholders of the company who were due capital and interest on amounts due to them for shares acquired from them in 1982. There were also coupons outstanding representing unclaimed dividends.

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United Kingdom
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LEGAL NOTICES

1992 No. 291P Ca.6
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IN THE MATTER OF
ANGLO IRISH BANK CORPORATION PLC
AND IN THE MATTER OF:
THE COMPANIES ACTS, 1963-1990

Notice is hereby given that the Order of the High Court of Ireland dated Monday 22nd June 1992 confirming the cancellation of part of the Share Premium Account of the above named company in the sum of IR£10,797,904.00 and the Minute approved by the Court showing with respect to the share capital of the Company the several particulars required by the above Acts were registered by the Registrar of Companies of Ireland on the 27 July 1992.
Dated the 28 July 1992
William Fry, Solicitors
Fitzwilton House, Wilton Place, Dublin 2.

JOBS: When it comes to running organisations, Machiavelli's rulings have stood the test of time

The virtue of a maligned 523-year-old

As this is the Jobs column's last appearance before a *month's summer holiday*, may it be permitted to take up the cudgels on behalf of a much maligned person? His name was Niccolò Machiavelli.

Such an intervention in his case is scarcely premature. The late Florentine political adviser has been getting the bad mouth for well over five centuries.

Or so we're informed, at least, by Shakespeare who had him described as "murderous" by the treacherous Duke of Gloucester, then still in the early stages of plotting to take over as Richard III, some time before King Henry VI was finally done away with in 1471. How unjust a slur that is can be gauged from the fact that Machiavelli was at most two years old at the time, having been born in 1469.

But my leap to his defence is needled by more recent events. The goad is that a large, though sadly unrecorded number of people have been accusing me of damaging the cause of good management by inciting career-minded executives to adopt "Machiavellian tactics".

The reason why I haven't kept a tally of the said accusations is that the first few of them were delivered nearly a year ago. They arrived soon after my return from last summer's holiday in the September when I reported having stumbled across a refreshingly frank book about management, called The Bosses in Britain and The Managers in America, first published in 1958.

For instance, one thing pointed out by its authors – Professor Rosemary Stewart and Roy Lewis – is that economists and such are indulging in theoretical fancies when they assume that executives uniformly put their companies' interests before their own. Real-life management is "a system of power, a hierarchy of positions", in which top bosses' personal ambitions often clash with the interests of the outfits they run.

That report provoked a goodly handful of objections, all right, and not only from economists either. Further flurries followed my later reports on 1990s books by two other professors of management – The Organisation of Hypocrisy by Sweden's Nils Brunsson, and Managing with Power by Jeffrey Pfeffer of the US – which argue on similar lines.

But the latest spate of nearly two dozen written and telephoned protests was occasioned by the Jobs column of just four weeks ago about a study by psychologist Rob Irving, of the Whitehead Mann consultancy in London, of 300 successful senior executives. He found that the traits which singled them out from people ranked lower in management were not the sort of abilities that win top marks in master's degree courses at business schools. Indeed, on verbal and numerical reasoning tests, the scores of the 300 were only around the average for managerial staff as a whole.

Their differences from the general run were in their personalities. They shared a voracious need to have power over other people, for instance. They were also marked out by a lust for personal achievement, fiercely competitive in pursuing the extremely high aims they had set for themselves to the extent of being ruthless with anyone seen as standing in their way.

Even so, what has triggered the latest outburst of dudgeon is not Dr Irving's findings as such. All the 22 people who have protested say they themselves have worked under bosses of the type he describes.

The point of the objections is not the fact that power-hungry and intellectually undistinguished characters *do* tend to take the topmost jobs in big companies particularly. The point is the moral claim that they *shouldn't* do so, because it is clearly not in organisations' best interests that they should be run by what no fewer than eight of the protesters specifically called "the sort of people championed by Machiavelli".

Now, although holding no brief for the types identified by Rob Irving, I am far from sure that it is right to condemn either them or Machiavelli on such moral high ground. Theorising about the sort of people who ought to run organisations is far easier than actually running them. And that is a job in which all the evidence suggests power-politicking plays a large and indispensable role. What's more, it's a job in which the advice handed down by Machiavelli has stood the test of time.

Take for instance his warning to aspiring change-agents: "...there is nothing more difficult to take in hand, more perilous to conduct, or more uncertain in its success than to take the lead in the introduction of a new order of things. The reason is that the innovator has for enemies all those who have done well under the old conditions, and lukewarm defenders in those who only may do well in the new. This coolness arises partly from fear of the opponents who have the laws on their side, and partly from the incredulity of men, who do not readily believe in new things until they have had a long experience of them. Thus it happens that whenever those who are hostile have the opportunity to attack they do it like partisans; whilst the others defend lukewarmly, in such wise that the prince is endangered along with them."

I can imagine at least one person who might ruefully reflect on those words right at this moment. He is Sir Peter Kemp who last week was pushed into early retirement from his top civil service post. On the Monday he was being publicly praised by his political boss, Citizens' Charter minister William Waldegrave, for his "outstanding success" in driving through the biggest changes to Britain's bureaucracy for nigh 150 years. A couple of days later, he was out of a job.

True, there is a drawback to that particular Machiavellian ruling. Its nub is that executives who want to stay at the top of their organisation do best to avoid responsibility for making radical reforms, however much they may be needed. The smart thing is to saddle someone else with the responsibility instead.

But if it is true – as it seems to be – that there is usually a heavy risk in pushing through sweeping changes, then it is surely morally better for the fact to be brought out into the open so executives at all levels may be forewarned. And that is where Machiavelli's great service to posterity lies.

Fortunately it is a virtue which, despite Shakespeare's slur on him, was known to one of the bard's contemporaries – Sir Francis Bacon, who wrote: "We are much beholden to Machiavel and others, that they write what men do, and not what they ought to do." Moreover, if the Jobs column ever came to be counted among the "others" whom Bacon referred to, it would be proud.

FINALLY before the holiday to another topic of readers' complaints: the recent absence of any puzzles centred on decoding letters into figures of the sort printed here last year. By way of atonement, here's a division sum.

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         ECS
DAOS ) DMCLERS
       LADMM
        RLER
        DAOS
        ODTOS
        ODTOS
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I'll hope to meet you again in five weeks' time.

Michael Dixon

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ACCOUNTANCY COLUMN

Working Russian model now in need of overhaul

Andrew Jack looks at how the traditional Soviet accounting system is adapting to modern demands

ASKING A foreigner to understand the Russian accounting system is as daunting as learning to ride on the Moscow underground. Being able to read the script is only the start of overcoming the challenge.

The metro system's use of the cyrillic alphabet is intimidating enough, let alone how it is spoken by announcers on the trains. The practice of naming each line after its final destinations – which, since most have been extended, are no longer the end points – is still more confusing.

Add to that the recent practice of re-naming a vast number of stops which have connotations with the old Communist regime, and it should come as no surprise that the unsuspecting visitor can end up heading at full speed in the wrong direction.

So it is with the Russian accounting system. A casual glance at the continued widespread use of abacuses in shops and offices, for example, makes it tempting to say that there is no system, or only a very inefficient one. But that would be as inaccurate as saying that the metro does not work because it may not always deliver foreign visitors to their chosen destination.

The idea of financial reporting is firmly rooted in the enterprises of the former Soviet Union. A sophisticated system did exist, and it operated effectively. But its objectives were entirely different to capitalist equivalents.

Accountancy was and remains a thriving occupation in the Commonwealth of Independent States. There are many hundreds of thousands of accountants, and the chief accountant in an enterprise is generally an extremely powerful figure.

Nevertheless, the vast majority of accountants are in practice really book-keepers. Mr Richard Lewis, a partner in the Moscow office of Ernst & Young, says: "Accounting was not financial but statistical. The accountant was reduced to filling in forms on a matrix. The job did not have much prestige."

This reflects the purpose for which Soviet accounts were prepared in the past. Under the old political regime, the objective was to provide central planners with the necessary information to achieve centralised control of the economy. That meant controlling operations to achieve planned targets, and protecting socialist property.

It was implemented through a single, unified accounting system, which would allow data from every enterprise to be easily aggregated. This was achieved by a formulaic "chart of accounts" with detailed instructions and categories for every budget item, and by a series of standardised record-keeping and reporting forms.

But as Mr Leonid Schneidman, a senior official with the former Soviet Ministry of Finance who works for Price Waterhouse in Moscow, says: "The objectives of accounting have become much wider now."

Difficulties with the old system emerged in the late 1980s, principally as western companies began to establish joint ventures. Before that time, there was little communication with or attempt to understand the eastern system by the West, or vice versa.

Since then, accountancy firms opening offices in the CIS have been able to find work doing "accounts conversion", translating the Russian accounts of joint ventures into a format which is more easy and useful for western companies.

Mr Lewis recalls a great deal of resistance from the Ministry of Finance when it came under pressure to adjust its existing system simply because western companies did not understand how it operated.

But – partly in response to the disappointing volume of interest in joint ventures by western partners – it has bowed to calls for reform. A series of regulations has allowed reporting in a more western-style format alongside the traditional requirements.

Many Russian accountants are concerned that preparation according to the new rules could make financial statements *look less favourable,* and threaten their jobs

Now with a new Chart of Accounts approved at the start of this year, legislation on financial reporting and a series of new working parties are helping to create a framework for reform in Russia. Many of the same elements are being echoed in the other CIS states.

One of the most significant changes has been the greater emphasis placed on the profit and loss account. Traditionally, Soviet accounts laid most stress on the balance sheet. This reflected the state's concern with guarding socialist assets.

Enterprises were required to keep track of how asset purchases were financed, to reflect this custodial role. Depreciation rates were very low, reflecting the longer period of use for which assets were employed than in the West. And all assets were held at historical values, since there was no concept that changes in economic conditions would change their value.

Profits were far less important for enterprises. As Mr Richard Lewis says: "No one in the past was concerned about whether you made a profit. If you made one, it was likely to be taken away, whereas if you made a loss, you would be given money by the government."

A profit and loss account has always existed, but in a very different format. Costs of production included "period costs" such as administrative and general expenses as well as "product" costs. That makes it very difficult to calculate trading profits.

Where earnings existed, they had to be distributed. There was no concept of retained earnings which could be held in reserve.

At the same time, revenues were historically only "recognised" on the profit and loss account when cash was received. This was partly a conservative response to concerns over whether or not the enterprise would be paid. But it makes it impossible to correlate income and expenditure in a single accounting period.

The new chart of accounts permits the western concept of accrual accounting – which matches expenses to the period in which they are incurred, and income to when it is invoiced. It introduces the idea of retained earnings and distinguishes period and product costs. Significantly, it allows for provisions for bad debts, which were only written off in the past when there was absolutely no chance of recovery.

It also give instructions on the treatment of foreign currency transactions, share issues, leaseholds and investments, and permits the inclusion of certain intangible assets on the balance sheet.

These modifications will be welcomed by westerners trying to understand Russian accounting. But they are not without problems – a point made by Mr Zubaidur Rahman, a director of Deloitte & Touche in Moscow who is an academic and a key representative on the working parties bringing about accounting reform.

He stresses that the changes have been introduced within the existing framework of the chart of accounts, to prevent the transition from being too sudden or marked. Even so, the changes listed are optional, and are unlikely to be adopted quickly by many enterprises.

Many Russian accountants are concerned that preparation according to the new rules could make the financial statements look less favourable, and threaten their jobs. Like the Moscow underground, which works well but uses antiquated equipment, modifications will probably come only over a considerable period of time.

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Finance Director

Major Service Organisation

c.£42,000 + Significant Benefits — Edinburgh

Exceptional opportunity for talented finance professional to manage change and provide direction during a period of progressive corporate restructuring in critically important division of this substantial service sector organisation.

THE POSITION

- Full responsibility for control and direction of the finance function. Report to General Manager.
- Key task to formulate financial strategy and lead corporate budgeting process. Strengthen systems to enhance reporting process both statutory and internal.
- Divisional board appointment. Pivotal and influential role, requiring creative input, flexibility and style.
- Raise profile of department, developing finance team to the highest standards of commitment and performance. Encourage liaison with other senior line managers.

QUALIFICATIONS

- Graduate, qualified accountant, ideally with MBA. Committed manager with clear business acumen and top level financial control experience in complex, multi-site business.
- Experienced in change management. Decision maker with high intellect, stature and outstanding interpersonal and communication skills.
- Conceptual and creative problem solver. Lateral thinker.

Please reply in writing, enclosing full cv,
Reference GL2954
78 St Vincent Street, Glasgow, G2 5UB

N·B·S

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ORGANISATION EUROPÉENNE POUR LA RECHERCHE NUCLÉAIRE
EUROPEAN ORGANIZATION FOR NUCLEAR RESEARCH

CERN

Siège : Genève, Suisse
Seat : Geneva, Switzerland

Laboratoire Européen pour la Physique des Particules
European Laboratory for Particle Physics

Close to Geneva, CERN, the European Laboratory for Particle Physics is an International Organization of world renown which promotes the study of the fundamental constituents of matter using large research facilities such as particle accelerators, detector systems with associated powerful computer installations.
In a living example of international collaboration, some 3000 staff from 18 Member States (Austria, Belgium, Czech and Slovak Federal Republic, Denmark, Finland, France, Germany, Greece, Hungary, Italy, Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland, United Kingdom) are working together to provide a service for the International Physics Community. The contributions from these member states provide an annual budget of 945 MCHF.

We are looking for a

Senior Accountant / Financial Manager (m/f)

- to take charge of the accounting, cash and financial management activities of the Organization,
- to be responsible for the implementation of budgets and short-term investment policy,
- to take part in the financial planning and associated studies and projects

This challenging position involves leadership and high level contacts, in addition to coping with complex financial management responsibilities.

To be successful in this demanding assignment within CERN's pluri-disciplinary and multi-cultural environment, the successful candidate should ideally be in the age range of 36-40 years, be of member state nationality and possess:

- solid experience in a senior accountant position, preferably in a government administration or in an international institution,
- aptitude for work organization and personnel management, for dealing with urgent matters and for assessing their level of priority
- excellent communication skills with high proficiency in English and French
- in-depth knowledge of modern data-handling techniques in the financial and accounting fields.

The successful applicant will be offered an attractive remuneration package including a competitive salary and comprehensive social benefits. All applications will be considered on an individual basis and in the strictest confidence. Letters of application, accompanied by a detailed curriculum vitae should be marked Confidential and sent to: Werner Zapf, Head, Personnel Services, CERN, 1211 Geneva 23, Switzerland quoting reference "FI-92".

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itsa

Price Waterhouse

EXECUTIVE SELECTION

Finance Director

£42 – 46,000 + benefits — London/Lancashire

The Information Technology Services Agency (ITSA) was established in 1990 as an Executive Agency of the Department of Social Security. Its role is critical in developing and supporting the computing and communications technology requirements of the DSS and other customers. ITSA has an operating budget of £300 million a year and a capital budget of £130 million.

As Finance Director, you will sit on the Agency's Board and take responsibility for continuing the fundamental change in the way in which the financial systems operate within ITSA. You will manage the financial planning processes and establish a framework within which the Agency is funded. The role will require both strategic thinking and a "hands on" involvement in the change management process.

To fulfil this demanding role, you will be a qualified accountant with experience at Director level or equivalent in a large multi-site organisation which has undergone significant change. You will have a successful track record of implementing accounting systems and the associated changes in management style and processes. You will also have experience of cost management in a competitive trading environment. Your leadership ability and management skills will be critical to your success in this role.

The position will be based in London but will require frequent travel to Lancashire. The Finance Directorate and most of its staff are based in Lytham St. Annes. The role is offered on the basis of a 3 year contract (extendable to 5 years).

If you believe that you have the skills to continue this challenging process of change, please write to Heather Thomas at the address below, quoting reference F/1287/FT and enclosing a CV and salary details. If you would like to discuss the opportunity further or request an Information Pack, please telephone her on 071 939 6315. Complete confidentiality regarding your initial contact is guaranteed. The department is an Equal Opportunities employer.

Executive Selection
Price Waterhouse
Management Consultants
Milton Gate
1 Moor Lane
London EC2Y 9PB

Financial Controller

Cleveland/North Yorkshire — **c £28,000 + Bonus + Car**

Our client is an autonomous £30m turnover organisation operating within the service sector. It's marketplace is dynamic and challenging and the ability to respond to the changing needs of its client base which has brought success to date will ensure that this growth continues in the future.

They now seek to appoint a Financial Controller, who, reporting to the Chief Executive, will assume full responsibility for all finance and associated functions in this demanding business environment. Initial emphasis will be placed on the further development of management information systems and controls with an ongoing input to the commercial growth of the business.

Candidates will be qualified accountants aged over 30, who can demonstrate a track record of achievement to date within a fast moving organisation. A high degree of technical competence and well developed communication skills coupled with a tenacious and flexible approach are prerequisite for success in the role.

Interested applicants should contact
James J Russell at Michael Page Finance, Leigh House, 28-32 St Paul's Street, Leeds LS1 2PX. Tel: 0532 450212.
Please quote reference: **L8563.**

Michael Page Finance
Specialists in Financial Recruitment
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Finance Director

LETEC

London E.1 — ***c.£40,000 + Car***

▪ The London East Training and Enterprise Council (LETEC), which earns over £30m from Government contracts, is one of the new forces charged with supporting the regeneration of East London through training and business support programmes. An exciting opportunity now exists for a commercially minded accountant to assume the mantle of Finance Director.

▪ Reporting to the Chief Executive the successful appointee will assume responsibility for the effective management and development of the finance function of LETEC. Specifically this will entail the achievement and maintenance of a high standard of financial control both within LETEC and within its contractors. Additional tasks will embrace the presentation of finance and budgetary information to LETEC's Board (comprising both public and private sector members) and to executive colleagues, and the measurement of achievement of LETEC's operational objectives.

▪ Candidates for the position should offer demonstrable experience of the management of change from the perspective of a finance function. They will be graduate, qualified accountants likely aged 35+. Additionally they should be team players with a hands-on style of management, be highly computer literate and be able to relate at all levels both within LETEC and with outside parties and government departments.

▪ Interested applicants should write enclosing a detailed curriculum vitae with salary details and outlining their appropriateness for the position to LETEC's adviser Jeff Cottrell at Ernst & Young Corporate Resources, Becket House, 1 Lambeth Palace Road, London SE1 7EU quoting reference JC407.

ERNST & YOUNG

FMS

FINANCIAL CONTROLLER

SUSSEX COAST

AGE 28-35 YEARS

c. £35,000pa plus CAR

Our client is a financially strong and rapidly growing group. The organisation operates in a specialist area of the service sector and its companies include respected names, at present operating from 4 offices in the UK.

The Finance Director is now seeking to recruit an additional Financial Controller who can, with the assistance of a small team, take hands-on responsibility for:

- Periodic reporting (monthly, quarterly and annual) for internal management and external 3rd parties.
- Budgeting, forecasting and planning activities.
- Tax and treasury issues, including liaison with banks.
- Integration of acquired companies into the Group.

In order to perform and develop the above you will be a Qualified Accountant (probably, but not essentially, an ACA) who can clearly demonstrate:-

- A strong technical background with an appreciation of the financial control and reporting requirements of a small, professional but rapidly growing Group.
- A high level of commercial awareness and well-developed communication and inter-personal skills.
- Good man management experience and skills.

If you feel that you could respond to the demands of this key role you should write to Karen Wilson BA ACMA at FMS, 5 Bream's Buildings, Chancery Lane, London EC4A 1DY enclosing a recent CV including current salary.

FLOTATION OPPORTUNITY.....
RECENTLY QUALIFIED ACCOUNTANT

London

Despite the economic climate our client's performance has been one of consistent, profitable growth leading to an impending flotation. Operating successfully throughout Europe and the USA, this international Group is seeking to add value to its reporting processes.

It requires a high calibre, enthusiastic professional to focus both on the quality and the relevance of its management information with a wider remit to cover other non-routine issues associated with a public listing and the overseas implications of its international business.

Applicants will be qualified accountants who possess the drive and ambition to succeed in [illegible]

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Finance Director

A leading financial services group, based outside the South East, is putting together a powerful executive team to achieve an ambitious programme of growth, building upon an unusually strong financial platform and a loyal customer base in the life and pensions sector.

A new chief financial officer position has been created, bridging the finance and IT functions, with the brief to develop a strong management information, planning and control infrastructure upon which the expansion programme depends.

You will be an ambitious and talented financial manager, CA or CMA, 35-45 and used to working at top level and leading sizeable teams in a results-driven industrial or commercial organisation. We look for experience in running as well as specifying IT projects, knowledge of EIS and a track record of innovation.

We offer a lot of responsibility, scope for hard, creative and fulfilling work in a young management team and unusually good career prospects, also a generous employment package. Please send full personal and career details, including current remuneration level and daytime telephone number, in confidence to Gail McCarthy, Coopers & Lybrand Executive Resourcing Ltd, 78 Shoe Lane, London EC4A 3JB, and quoting reference GM918 on both envelope and letter.

Coopers & Lybrand Executive Resourcing

BERKSHIRE c £40,000 + SUBSTANTIAL EXECUTIVE PACKAGE

Finance Manager

A world leader in its field, this successful multi-national corporation has become a global provider of high-technology products, systems and solutions to the broadcasting industries. Established for over 30 years, the UK sales and marketing organisation, with a turnover approaching $35 million, is seeking an experienced financial manager to strengthen its small cohesive management team.

As a key member of that team, you will be expected to make an active and positive contribution to decision-making across the entire spectrum of business and operational development activities. With total responsibility for the finance functions, the brief includes the ongoing advancement of financial and management information systems, control and planning procedures and management reporting requirements.

A graduate qualified accountant, probably in the age range 35-40, you must be able to demonstrate well developed commercial and business acumen in addition to sound technical skills. Ideally, you should have a background in the high technology sector, with experience of controlling the finance/accounting functions in an effective and economic manner. You must be a "hands on" and enthusiastic person with the appropriate interpersonal skills and personality to manage and withstand the rigours of a complex business actively pursuing considerable development and change.

Please send full personal and career details, including current remuneration level and daytime telephone number, in confidence to Adrian Edgell, Coopers & Lybrand Executive Resourcing Limited, 9 Greyfriars Road, Reading RG1 1JG, quoting reference AE858 on both envelope and letter.

Coopers & Lybrand Executive Resourcing

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EXECUTIVE SELECTION

Financial Controller

Managing change within the Health Sector

c£40,000 + car SE England

With enormous changes taking place in the health sector over the past few years, none have been more visible or far reaching than those within the NHS Trusts.

This requirement calls for a Financial Controller with particular expertise in all aspects of management accounting and financial planning. A key facet of your role will involve driving through change within the finance department whilst influencing and facilitating a similar change process throughout the unit thereby increasing overall financial awareness.

You will inform and advise on finance related topics and take responsibility for the effective management of capital expenditure programmes, having particular regard for value for money. In addition, you will be involved in the development of new budgeting systems and the implementation of more efficient financial management systems. Success will depend on your ability to work closely with management, clinicians and administrative staff.

To fulfil this demanding, yet highly rewarding role, you will be a qualified accountant with experience at a senior level. This should include management accounting, financial planning and budgeting, costing, payroll, cashiering and audit. Of particular importance will be demonstrable experience in managing change. You will need to be a 'hands on' accountant with the diplomacy of an ambassador, the tenacity of a long distance runner and the hide of a rhinoceros. Critical to your success will be the ability to empathise with the direction of the Trust, whilst understanding the cultural hurdles which need to be negotiated.

If you feel not only excited by this type of challenge, but also have the qualities we seek, please send a CV and covering letter demonstrating your suitability for the role, quoting reference M/1282 to Michael Phillips.
Executive Selection
Price Waterhouse
Management Consultants
Milton Gate
1 Moor Lane
London
EC2Y 9PB
Tel: 071 939 6329
Fax: 071 638 1358

Finance Director

North West Good Package

Trinity Weekly Newspapers Ltd is part of the successful and expanding Trinity International Holdings plc. Presently it employs almost 250 people in three newspaper centres throughout Merseyside. Circulating over 400,000 newspapers each week, the newspapers are market leaders in each of their circulation areas.

This vacancy has been created due to group expansion and the consequent promotion of the current Financial Director. Reporting to the Managing Director, the successful candidate's responsibilities will embrace all aspects of statutory and management reporting, budgeting, policies and procedures, systems enhancement and supplier negotiation.

Applications are invited from ACMA's aged 28-35. Applicants must ideally have general management experience, an understanding of and belief in Total Quality Management, exceptional interpersonal skills, computing expertise, experience in newspapers and/or related industries and a dynamism essential to be an effective member of a forward thinking team. The ideal candidate will have a hands-on approach to the finance function and be capable of taking a commercial approach to the financial decision-making process.

This position will appeal to ambitious individuals who seek a progressive employer and are confident of their own ability, through leadership and judgement, to make a real financial impact on the Company's performance.

The successful applicant will enjoy a good remuneration package including a competitive salary, bonus, sharesave schemes, Bupa, contributory company pension and a company car.

PREVIOUS APPLICANTS NEED NOT APPLY. Closing date for applications 7th August 1992.

Please send full career and salary details to:-
John Bills, Managing Director,
Trinity Weekly Newspapers Ltd
Tulketh Street,
Southport PR8 1BT

Trinity
WEEKLY NEWSPAPERS LIMITED

CHIEF FINANCIAL OFFICER

I.I.R. is the leading conference organiser in the world with revenues of $200 million. There are offices in 27 countries. The company is growing fast, both internally and through acquisitions. There is a strong profit-oriented culture within the company.

We require a CFO, based in London. He/she will head up small finance and IT teams. Prime responsibilities will include tax, treasury, audit, IT, banking relationships, acquisitions, group accounting, policies and procedures. The CFO is a member of the Executive Committee, and reports to the CEO.

SUN systems are installed in most offices. Accounting is, in common with all functions, decentralised to each office.

Requirements: ACA, trained in one of the larger accounting firms, corporate experience, at least two years international work. There will be substantial travel.

Total remuneration, including bonus $80-100,000, plus Mercedes.

Write to CEO, I.I.R. Ltd., Centre Point, 103 New Oxford Street, London WC1.

ACCOUNTING MANAGER

Salary: £30,000 ***Heathrow Area***

As a leading multifaceted building engineering service organisation Drake & Scull Airport Services Ltd continues to perform well in a very competitive market by winning some of the most prestigious long-term contracts in the UK. We currently seek an assertive, hands-on Accounting Manager.

Chartered Accountant preferred / C.I.M.A. acceptable. A minimum of 3 years audit experience / major company internal audit experience in an industrial environment required. Must have 2 years prior building services or service company experience and understand the contracting industry. Must be a strong management accountant with a working knowledge of mini-computer applications, together with a knowledge of purchasing / sub-contracting controls, and significant budgeting / cashflow experience.

Please apply to: Miss Clare Lewis of Drake & Scull Airport Services Ltd at Trident House – Block 'B', Bath Road, Hounslow, Middlesex TW6 2JA enclosing CV.

Finance Director

International Merchant Bank

Central London £Neg

Our client is an established fee orientated international merchant banking group that specialises in portfolio management, corporate finance, real estate and financial consultancy. The company has been active in the U.K. for 15 years providing services to its international client base through a network of alliances with institutions in the major capital markets. Growth plans now demand the appointment of a Finance Director to strengthen the management team. Different aspects of this activity are currently handled by a number of executives.

Reporting to the Managing Director, you will take responsibility for the accounting and settlement departments of the Group. Candidates should have proven experience of managing a financial group's treasury operation. In addition to the management of relationships with other banks, you will also be familiar with the international securities markets and will be the compliance officer; the company is a member of The Securities and Futures Association.

It is likely that you are a qualified accountant, working in the international merchant banking or securities industry. Current experience of the U.S. capital and money markets will be a distinct advantage.

In the first instance, please send your CV to Rosemary Hamilton or Chris Denington at Grant Thornton, International House, 7 High Street, Ealing, London W5 5DB or call them on 081 566 5900.

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HEAD OF FINANCE

IT Services industry
to £40,000 + bonus + car
West Midlands

Our client is a profitable £10 million market leading service company. Clear objectives have been set to achieve high future growth. Reporting to the Managing Director, the Head of Finance will be a key member of the senior management team charged with further developing the business.

Supported by a small team of qualified accountants, the critical tasks will be to introduce a new generation of integrated financial and business control systems, policies and procedures.

Candidates will be qualified graduate accountants aged about 35, experienced in managing a broad-ranging finance team, within a contracts-driven organisation ideally in the IT industry.

The essential skills will be strong commercial awareness, computer literacy, and the ability to influence change and profit performance.

Please send your CV to Alan Brown at the address below:

MKA MANAGEMENT CONSULTING LIMITED
Tectonic Place, Holyport Road,
Holyport, Maidenhead, Berks SL6 2YE
Telephone: (0628) 798015
Fax: (0628) 798138

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FINANCIAL CONTROLLER

OPTIONS/SWAPS

Northern European Bank seeks qualified accountant to head up operations function of established London branch. Hands-on experience of options, SWAP and other derivatives accounting is essential.

Reply with detailed C.V. and salary requirement to Box A1913, Financial Times, One Southwark Bridge, London SE1 9HL

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With proven management and commercial acumen, you will have the personal dynamism to gain the respect of both suppliers and customers at the highest management levels. You will also have excellent negotiating skills and a strong working knowledge of computer/IT systems.

In return for your commitment, we will reward you with a competitive salary and benefits package, which includes relocation expenses where appropriate.

If you feel you have the personal and professional dynamism to take on this newly-created role in our organisation, then we would like to hear from you.

For further details and an application form, please write to the Personnel Officer, ESPO, Leicester Road, Glenfield, Leics. LE3 8RT, quoting reference Fin/C.

Closing date 21st August 1992.

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N/W LONDON

Young, high calibre chartered accountant required for the position of Financial Controller within a fully listed plc in the property sector. The remuneration package will consist of a starting salary of £30,000 pa (negotiable), share options, car and other benefits. Candidates should submit their CV to Wilder Coe, 233/237 Old Marylebone Road, London NW1 5QT. Ref: MK

Qualified Management Accountant
Growing West London PLC c. 25K

Responsible for all aspects of financial control including detailed management reporting. The successful candidate should have a high degree of computer literacy and commercial awareness and be energetic and flexible. CV to Box A1907, Financial Times, One Southwark Bridge, London SE1 9HL

FINANCIAL ACCOUNTANT
INSURANCE/REINSURANCE

c£35,000 City Based

Expanding Company has urgent requirement for a qualified Accountant to join small highly motivated accounts team.
Insurance/DTI experience a must.
Write to Box A1912, Financial Times, One Southwark Bridge, London SE1 9HL

Russia 'exporting less aluminium'

By Kenneth Gooding, Mining Correspondent

ALUMINIUM EXPORTS from Russia have slowed to a trickle, according to some traders. They suggest that Russian assertions that exports are being sustained at about 75 per cent of last year's level do not stand up to close examination.

Problems with raw materials and spare parts continue to dog Russia's smelters, which are said to be particularly short of alumina, the essential raw material, the traders report.

An official at one big trading house, who asked not to be identified, said yesterday that only about 10 per cent of the alumina his company had sold to Russia recently was finding its way to the smelters. Not only was there a shortage of money to pay or goods to barter but transport within Russia was in a chaotic state and there were no rail cars available to carry alumina.

To make matters worse, Hungalu, the state-owned Hungarian producer, has not been able to agree terms of a barter deal with the Commonwealth of Independent States and will ship no alumina there in the second half of this year.

The company was scheduled to export 250,000 to 300,000 tonnes to the CIS in the second six months of 1992 – enough to produce 125,000 to 150,000 tonnes of aluminium. Consequently Hungalu is closing its 180,000-tonnes-a-year Ajka 1 alumina plant and 800 people will be laid off.

The Metals Week newsletter says, however, that Hungalu officials hint that Hungarian alumina exports to the CIS will continue through western intermediaries because the Russian aluminium industry is heavily dependent on them, particularly after losing its supply from Yugoslavia.

The Hungarian officials suggest that some CIS smelters are so short of raw material that alumina is being rushed from rail cars to smelters as soon as it arrives. Hungary has been shipping 1,500 to 1,800 tonnes a day.

Some estimates suggest that Russian aluminium exports reached a record 1m tonnes last year although other analysts put the total nearer 850,000 tonnes. Russia's official target for 1992 exports is 615,000 tonnes.

But some western traders suggest that the country's difficulties are so great that it will be doing well to export 400,000 tonnes this year.

Giant smelter facing 'unbelievable problems'

RUSSIA'S GIANT Krasnoyarsk aluminium smelter is facing a mass of "unbelievably complicated problems", according to Mr Vladimir Nikitchenko, the deputy director, reports Reuter from Krasnoyarsk. But he insists that the plant will maintain current output levels.

"In the last two months the cost of our aluminium has doubled from 50,000 roubles ($310 at the Russian central bank exchange rate) to 120,000 roubles a tonne," he said this week. Electricity, which accounts for 60 to 70 per cent of the cost of producing aluminium, has recently doubled in price.

"In the old days we knew a supplier would supply us, and he was obliged to do so at a set price and within a set time. Today no one owes [anybody] anything," he said.

One of the plant's alumina (aluminium oxide) suppliers in Nikolayev, a town in the newly-independent Ukraine, was "playing up", but that was only part of the problem.

Huge price rises and critical cash shortages had set off a vicious circle of unpaid debts among domestic consumers and suppliers, he said.

"Our customers are in debt to us . . . and we are paying part of what we owe. We are delivering metals to consumers without taking money because we know they have none. But not taking money from our customers makes it hard to pay our suppliers."

The plant covers an area of 30 square km (12 square miles) and employs about 12,000 workers. "This factory is colossal and no one will allow it to be closed down," said Mr Nikitchenko, adding that 70,000 people in Krasnoyarsk – a city of 1m people – depended on the plant as did 70m people across the country.

Local ecologists say the plant's emissions are dangerous but Nikitchenko claimed experts rated them as tolerable. He said the plant was involved in a $30m long-term project with Kaiser Aluminum Corporation of the US to modernise the electrolysis process and to build gas-cleaning equipment.

Nikitchenko said the plant was planning to privatise itself so it could leave the state sector.

Bolivia's state mining chief forced to depart

By Chris Philipsborn in La Paz

THE PRESIDENT of Bolivia's state mining corporation, Comibol, has been forced out in a surprise move by the Bolivian Government.

No date has been set for the departure of Mr Alberto Ono Villegas, but his replacement has been named as Mr Marcelo Perez Monasterio, a former under-secretary in the foreign affairs ministry and president of the inter-American commerce and production committee. Mr Perez does not appear to have any previous experience of the mining industry.

This undignified end to Mr Ono's ten-month tenure as Comibol president has been linked to continuing pressure from the World Bank. The bank recently forced Comibol to undertake an extensive redundancy programme by withholding a $22m credit intended for restructuring the corporation, part of a $35m credit committed to the modernisation of the Bolivian mining industry.

The departure of Mr Ono, perceived by many to favour a slower pace of change than the World Bank was willing to put up with, combined with the latest round of redundancies, signals the beginning of the end for Comibol. Mr Perez is believed to be a committed free marketeer who is unlikely to stand in the way of what Bolivian mining unions are calling "privatisation through the back door". Comibol, at present employing about 6,000 workers, may soon number its staff in the low hundreds as it winds down its mining operations and concentrates on administrative joint ventures.

More farms in Malaysia hit by cocoa pest

MORE MALAYSIAN cocoa farms are being invaded by cocoa pod borers, and industry officials say the pest is threatening to spread throughout Peninsular Malaysia, reports Reuter from Kuala Lumpur.

Pod borers have affected about 24,000 hectares of cocoa farms or 20 per cent of the peninsula's cocoa crop, Malaysian Cocoa Growers Council officials said yesterday.

Malaysian officials earlier said 9,400 hectares of the farms had been hit, 8 per cent of Peninsular Malaysia's cocoa area. Malaysia is the world's fourth largest cocoa producer.

Jam tomorrow for oil investors in CIS

Neil Buckley on efforts to establish a more friendly climate for western companies

HE who does not take risks does not drink champagne, runs an old Russian proverb. Western oil company executives were recently reminded of it at a London meeting with a Russian government official, lamenting the lack of foreign investment in the energy sector.

Many companies could give a long list of reasons for their reluctance: fear of political instability; the lack of a proper legal framework and tax regime; a punitive export tariff; poor infrastructure and communications; and nervousness about dealing with with a complex bureaucracy unaccustomed to western ways of doing business.

Political stability cannot be guaranteed, and westerners who have negotiated deals report that the end of the Soviet Union has done little to streamline the decision-making process – at least in Russia. Foreign oil companies can still find themselves negotiating simultaneously with production enterprises, local government, regional government, the state committee on property, the state committee on foreign investment and a range of sub-committees.

But some of the other difficulties are beginning to be resolved and that could soon make the former Soviet republics no more risky places to do business than many other oil-producing countries.

Russia is in the process of developing what will ultimately be three tiers of legislation covering the oil and gas industry.

Fundamental laws on foreign investment were passed last summer by the Russian parliament. An umbrella law on subsoil resources has also been effective since May 5, establishing the principle that the state owns natural resources in situ but has the right to license them for development.

All future developments must receive a licence, expected to be issued by the state committee on geology. Licences can be awarded either through competition involving submissions of drilling programmes and development plans, or by auction to the highest bidder.

> 'We might spend many months debating an explicit law that is ideal for today, but tomorrow it could be out of date'

Both non-exclusive licences for geological prospecting valid for five years, and exclusive exploration and production licences lasting 25 years or longer, will be available.

However, Mr David Moroney, a partner with the London legal firm Denton Hall, which is advising the Russian government on oil and gas law, points to two problems with the current law. One is that there is no provision for licences to be awarded through direct negotiation between companies and the government.

Neither does it provide for any disputes to be settled by international arbitration.

The final step is to develop a detailed law, specifically covering the oil and gas industry. A group of World Bank-sponsored experts from Houston University, headed by Professor George Hardy, is currently working on drafts, to be submitted to the Russian parliament by September.

But a competing draft law, prepared by a Russian academic institute and supported by some petroleum associations, is also being considered.

Getting either law passed may be less than plain-sailing. Mr Sergei Roginko, a member of acting Russian prime minister Mr Yegor Gaidar's secretariat, worried western companies by suggesting in London last week that enshrining detailed oil industry regulations in law might be inappropriate.

"We might spend many months debating an explicit law that is ideal for today, but tomorrow it could be out of date."

Specific oil regulations could be established through presidential decrees and parliamentary orders, he suggested. Such an arrangement might not satisfy western investors – presidential decrees can be changed very easily with a change of president.

World Bank experts are also working on new tax laws to replace the present regime, which has emerged on a rather ad hoc basis. Made up of an export tariff, royalties, withholding tax, profit tax, as well as a social security tax and tax on expatriate earnings, the total take is close to 80 per cent of revenue, which western companies and many Russian officials alike realise is too high.

There is widespread pressure for a move towards a profit- rather than a revenue-based tax, and a reduction in the punitive export tariff of Ecu26 a tonne – more than $5 a barrel.

In the meantime, Mr Roginko pledged that "serious" western investors could negotiate exemption from the export tariff – which was imposed primarily to discourage illegal exports by "speculators". As if in confirmation, the operators of the White Nights joint venture in Siberia announced the following day that they had been granted exemption.

Other hurdles remain to be surmounted. A treaty must be designed to cover the 300,000km of oil and gas pipelines that now run through 15 different republics, to establish ownership and regulatory controls, rights of access, and tariffs.

There is also the knotty problem of breakaway regions and republics within Russia, which was not solved by the signing of a new Federative Treaty earlier this year. Areas such as Tatarstan, Bashkiria and Chechen Ingushetia are demanding varying degrees of autonomy over their indigenous energy resources. Moreover, while the law on subsoil resources established that 40 per cent of oil revenues should go to the Russian Federation government, 30 per cent to the district or city, and 30 per cent to the region or autonomous republic within Russia, many areas are demanding a bigger share.

Such problems, together with a Russian oil industry that is itself in a state of flux, may prompt foreign investors to turn to other republics which now negotiate independently from Moscow, and are competing aggressively for investment.

Kazakhstan, which has scooped up two of the biggest deals so far and has the second-largest reserves after Russia, has already passed its own laws on natural resources.

These are considered by western lawyers to be incomplete and inconsistent. But, says Mr Robert Gray, country manager for the former Soviet republics at J.P. Morgan, the merchant bank which has advised on oil deals with Kazakhstan, the central Asian republic scores with a simpler negotiating process. This is usually confined to the local producing association and the republican government. Mr Gray also points to the personal commitment to attracting foreign investment of Mr Nursultan Nazarbayev, Kazakh president.

Kazakh tax conditions have so far been individually negotiated in each case, and are the subject of some secrecy. They are, however, thought to be rather better than those in Russia.

An important consideration for foreign investors across the old Soviet Union is the sheer remoteness and total lack of infrastructure of some of the fields.

Mr Vasili Fedorchenko, a member of Russia's supreme economic council and former oil man himself, suggests the idea of special economic regions where western companies would be allowed to develop at special tax rates, on condition they constructed all the infrastructure – roads, schools, as well as hotels and restaurants, and "houses not like they build here, but like you build in Windsor".

"But," he adds, "I warn you. Russia is not an easy place to build. You might find marshes and rivers, taiga and mountains in your way."

The final article in this three-part series on developments in the oil industry of the former Soviet Union, which will cover deals signed so far with western companies, will be published on August 7. The first article was published on July 24.

IWC reduces crop estimates

By Richard Mooney

THE INTERNATIONAL Wheat Council has reduced its estimates of the 1992 world wheat and coarse grains crops.

In its latest market report, published yesterday, the London-based agency has cut the wheat harvest forecast to 546m tonnes from 548m tonnes in its June report and that for coarse grains to 820m tonnes from 824m tonnes. Both figures are up on actual 1991 output, however; wheat by 3m tonnes and coarse grains by 25m tonnes.

The reduction in the coarse grains estimate mainly reflects deterioration in European Community harvest prospects, particularly in Denmark and Germany, where drought is expected to hit barley production severely.

The report attributes the cut in the 1992 wheat estimate to lower figures for the EC and Canada, "which were only partly offset by better prospects in China and India." The projection for the US is up 200,000 tonnes from the June assessment at 60.7m tonnes, and is now 13 per cent higher than in 1991.

The IWC figures include a 400,000-tonne cut in the coarse grains estimate for the Commonwealth of Independent States, but that would still be 11.6m tonnes above last year's.

The estimate for CIS wheat remains at June's 83.5m tonnes, up 11.1m tonnes from 1991. Mr Bill de Maria, the IWC's chief economist, warned, however, that while June-July weather had been generally good in the CIS, dryness might be causing problems and the effects had yet to be evaluated.

The Baltic states of Lithuania, Latvia and Estonia, which did not join the CIS after the collapse of the Soviet Union, are now expected to produce 5.7m tonnes of grain between them in 1992, about 200,000 tonnes down from last month's IWC estimate but up 500,000 tonnes from last year's actual outturn.

Danish farmers stand to lose £430m from drought

By Hilary Barnes in Copenhagen

THE TWO-month drought that hit Denmark from mid-May onwards will cost farmers DKr4.7bn (£430m) in lost income from the sale of grain, peas and oilseed rape, the National Plant Breeding Centre said yesterday.

This means that reduced returns from these crops alone will cut farmers' income from the sale of arable crops by almost 40 per cent.

The harvest from spring-sewn rape will be cut by 85 per cent, spring barley, oats and peas by 40-45 per cent and winter barley and wheat by a quarter, according to the centre.

The impact of the drought varies substantially from region to region, but the average income loss will be about 35 per cent, it estimated.

Denmark exported 2.7m tonnes of grain, worth just over DKr3bn, in 1991, but in the current harvest year it will be necessary to import grain. This will cut into the country's trade and current balance of payments surpluses, but both are currently substantial. The surplus on merchandise trade in 1991 was DKr22bn and the current account surplus was DKr14bn.

WORLD COMMODITIES PRICES

MARKET REPORT

The cash **LEAD** price leapt £17 to a 13-month high of £353.50 a tonne on the London Metal Exchange yesterday on news of a strike at the Doe Run Herculaneum smelter in the US. The smelter has an annual capacity of 225,000 short tons (2,000 lb each), and news of the strike immediately lifted prices in mid-afternoon, until which they had been little changed. **ZINC** prices were also firm, reflecting continuing concern about a tight supply situation created by several producers and a major trader building up a big long position for October delivery. Other LME metals were weaker, led by **COPPER**, the cash price of which fell £12 to £1,309 a tonne as fears of a supply squeeze continued to fade. The three months **ALUMINIUM** price slipped to $1,330 a tonne in afterhours trading, $43 below the 3½-month high reached earlier in the week. Three months **TIN** was down $54 at $6,815 a tonne $435 below late-June's 31-month high, while three months **NICKEL** lost $72.50 at $7,492.50 a tonne. **COCOA** futures ended with pared gains as the market continued to hold in its recent trading range. But concern remained over the possibility of further producer selling.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$18.25-8.30	-0.15
Brent Blend (dated)	$20.45-0.55	-.175
Brent Blend (Sep)	$20.45-0.55	-.175
W.T.I (1 pm est)	$21.80-1.85	-0.25
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$228-229	
Gas Oil	$182-183	-3.5
Heavy Fuel Oil	$85-87	
Naphtha	$194-195	-2
Petroleum Argus Estimates.		
Other		+ or -
Gold (per troy oz)♣	$356.60	-0.25
Silver (per troy oz)♣ §§	392.0c	-2.0
Platinum (per troy oz)	$376.25	+3.75
Palladium (per troy oz)	$88.50	+1.15
Copper (US Producer)	118.42c	-0.70
Lead (US Producer)	39.5c	
Tin (Kuala Lumpur market)	16.89r	-0.16
Tin (New York)	314.5c	-7.5
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	112.69	-0.60*
Sheep (live weight)†♠	74.49p	-1.65*
Pigs (live weight)†	83.79p	-0.63*
London daily sugar (raw)	$263.0w	-13.0
London daily sugar (white)	$293.0w	-6.0
Tate and Lyle export price	£246.0	-6.5
Barley (English feed)	£103.5z	
Maize (US No. 3 yellow)	£151.5	
Wheat (US Dark Northern)	Unq	
Rubber (Sep)♥	50.50	
Rubber (Oct)♥	50.50p	
Rubber (KL RSS No 1 Jul)	222.0r	
Coconut oil (Philippines)§	$500.0t	
Palm Oil (Malaysian)§	$367.5y	
Copra (Philippines)§	$337.5	+2.5
Soyabeans (US)	£138.0z	+3.0
Cotton "A" index	64.30c	+0.05
Wooltops (64s Super)	380p	-3.0

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Oct/Nov. w-Aug/Sep. y-Sep. z-Aug. † Meat Commission average fatstock prices. * change from a week ago. ♥ London physical. § CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♠ Sheep prices are now live weight prices. §§ Correction for 16/7/92 394.0c

SUGAR – London FOX ($ per tonne)				
Raw	Close	Previous	High/Low	
Aug	245.00	245.00	222.60	222.00
Oct	210.80	210.80	211.00	210.00
Dec	207.00	199.60	204.00	
Mar	204.80	204.80	204.40	204.20
May	203.40	204.40	202.00	
White	Close	Previous	High/Low	
Oct	286.50	286.00	288.00	286.00
Dec	282.00	281.50	283.00	281.00
Mar	267.30	267.50	267.50	265.60
May	271.00	270.50	271.00	269.10
Aug	274.50	274.00	275.50	273.50
Oct	267.00		268.50	267.00
Dec	268.90		268.00	267.00

Turnover: Raw 826 (222) lots of 50 tonnes. White 1574 (1760) Paris- White (FFr per tonne): Oct 1344.57 Dec 1333.62

CRUDE OIL – IPE ($/barrel)				
	Latest	Previous	High/Low	
Sep	20.50	20.66	20.60	20.47
Oct	20.46	20.53	20.55	20.45
Nov	20.38	20.51	20.45	20.38
Dec	20.30	20.40	20.32	20.29
Jan	20.18	20.28	20.18	20.14
Feb	20.02	20.15		
Apr	19.75	19.85	19.75	19.75
May	19.65		19.65	
IPE Index	20.65	20.76		

Turnover (16852)

GAS OIL – IPE ($/tonne)				
	Close	Previous	High/Low	
Aug	185.75	186.00	187.00	185.50
Sep	188.00	190.50	189.50	187.75
Oct	190.50	193.00	191.75	190.25
Nov	192.50	194.75	193.50	192.00
Dec	193.75	196.00	194.75	193.50
Jan	192.50	194.50	193.50	192.50
Feb	188.50	190.25	188.00	
Mar	184.50	186.25	185.50	184.50
Apr	181.00	183.00	181.00	

Turnover (12169) lots of 100 tonnes

FRUIT & VEGETABLES

Seedless grapes are abundant at 90-£1.20 a lb (90-£1.50), along with Spania plums at 45-55p a lb (40-60p). New season English Discovery apples are in the shops at 60-65p a lb (40-60p). Top quality cabbage is this week's best vegetable buy, with English Primo and Savoy cabbages at 20-25p a lb (30-35p each). Potatoes remain good at 10-15p a lb (10-15p). Homegrown celery at 40-45p a head (50-60p) is in good supply. Other good salad buys include tomatoes at 40-45p a lb (40-50p), peppers at 80p-£1.00 a lb (70p-£1.00) and round lettuce at 25p-30p each (25-30p). (Last weeks prices shown in brackets).

COCOA – London FOX (£/tonne)				
	Close	Previous	High/Low	
Jul	604	600	580	
Sep	616	612	623	609
Dec	645	642	653	635
Mar	673	672	681	671
May	693	690	696	688
Jul	711	708	715	711
Sep	730	727	737	
Dec	757	754	760	756
Mar	784	782	791	780

Turnover: 6959 (4172) lots of 10 tonnes. ICCO indicator prices (SDRs per tonne). Daily price for Jul 29 786.46 (771.76) 10 day average for Jul 30 757.87 (755.59)

COFFEE – London FOX ($/tonne)				
	Close	Previous	High/Low	
Jul	736	712	712	695
Sep	744	727	754	716
Nov	765	742	770	735
Jan	780	758	783	758
Mar	800	777	792	774
Jul	822	808	822	

Turnover 1528 (794) lots of 5 tonnes. ICO indicator prices (US cents per pound) for Jul 29. Comp. daily 48.56 (48.87) 15 day average 49.17 (49.31)

POTATOES – London FOX (£/tonne)			
	Close	Previous	High/Low
Apr	69.5	70.6	70.0

Turnover 22 (101) lots of 20 tonnes.

SOYAMEAL – London FOX (£/tonne)				
	Close	Previous	High/Low	
Aug	120.50		120.50	120.00
Oct	120.00		120.00	
Dec	122.50	121.00	122.50	120.50

Turnover 510 (40) lots of 20 tonnes.

FREIGHT – London FOX ($10/index point)				
	Close	Previous	High/Low	
Aug	1050	1066	1063	1050
Sep	1085	1112	1102	1079
Oct	1175	1195	1190	1175
Jan	1205	1220	1220	1205
Apr	1255	1270	1260	1255
BFI	1088	1093		

Turnover 218 (139)

GRAINS – London FOX (£/tonne)				
Wheat	Close	Previous	High/Low	
Sep	111.40	112.00	111.75	111.40
Nov	114.75	115.30	115.10	114.75
Jan	118.60	119.10	118.80	118.55
Mar	121.70	121.85	122.00	121.70
May	124.75	125.10	124.85	124.75
Barley	Close	Previous	High/Low	
Sep	109.40	109.55	109.40	

Turnover: Wheat 369 (104), Barley 5 (148). Turnover lots of 100 Tonnes

PIGS – London FOX (Cash Settlement) p/kg				
	Close	Previous	High/Low	
Aug	106.0	105.5	105.5	104.9
Oct	105.2		105.2	
Nov	104.3		104.3	

Turnover 5 (5) lots of 3,250 kg.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)						
	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 34,030 lots
Cash	1310-1	1313-4		1309-10		
3 months	1333.5-4.0	1337-8	1338/1325	1332-3	1333-3.5	178,585 lots
Copper, Grade A (£ per tonne)						Total daily turnover 24,202 lots
Cash	1308.5-9.5	1320.5-1.5	1309/1308	1309.5-9.5		
3 months	1334-4.5	1344.5-5.5	1338/1334	1334-4.5	1334-5	137,628 lots
Lead (£ per tonne)						Total daily turnover 8,312 lots
Cash	353-4	336-7		336.5-6.75		
3 months	353-4	347-7.5	348/347.5	347.5-7.75	352-3	27,840 lots
Nickel ($ per tonne)						Total daily turnover 3,545 lots
Cash	7420-30	7495-505	7440	7445-50		
3 months	7490-5	7560-70	7525/7485	7505-10	7490-500	24,669 lots
Tin ($ per tonne)						Total daily turnover 2,483 lots
Cash	6770-80	6825-35	6775	6770-5		
3 months	6810-20	6868-70	6890/6780	6800-5	6830-5	12,343 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 15,053 lots
Cash	1352-3	1345.5-6.5	1350	1353-3		
3 months	1361-2	1353-4	1367/1345	1359-60	1363-4	68,713 lots
LME Closing £/$ rate:						
SPOT: 1.9130	3 months: 1.8881		6 months: 1.8615		9 months: 1.8339	

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	356.50-356.70	
Opening	356.40-356.80	
Morning fix	356.75	186.409
Afternoon fix	356.75	186.215
Day's high	356.85-357.15	
Day's low	356.30-356.60	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	2.73	6 months	2.74
2 months	2.74	12 months	2.77
3 months	2.74		

Silver fix	p/troy oz	US cts equiv
Spot	204.30	319.50
3 months	209.40	394.60
6 months	214.60	398.00
12 months	225.45	406.40

GOLD COINS	$ price	£ equivalent
Krugerrand	355.00-357.00	185.00-187.00
Maple leaf	366.90-369.25	-
New Sovereign	85.00-87.00	44.00-46.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sep	Dec	Sep	Dec
1300	39	74	15	30
1350	15	47	41	52
1400	4	28	80	82
Copper (Grade A)	Calls		Puts	
2450	89	113	16	44
2500	56	86	32	76
2550	31	63	57	103
Coffee	Sep	Nov	Sep	Nov
650	96	120		5
700	51	79	5	14
750	18	48	22	33
Cocoa	Sep	Dec	Sep	Dec
575	44	79	3	9
600	25	61	8	16
625	12	45	21	28
Brent Crude	Sep	Oct	Sep	Oct
2000	57		9	
2050	[illegible]		25	51
2100	9	28		

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Aug	356.5	356.5	358.9	358.0
Sep	357.5	357.3	0	0
Oct	358.5	358.4	358.8	358.0
Dec	360.6	360.4	361.0	360.1
Feb	362.5	362.3	362.4	362.4
Apr	364.3	364.1	363.8	363.8
Jun	366.2	366.0	365.8	365.6
Aug	368.1	367.9	0	0
Oct	370.2	370.0	0	0

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Oct	377.7	374.0	378.0	375.0
Jan	375.7	372.0	376.5	372.5
Apr	375.8	372.0	375.0	373.0
Jul	376.8	373.0	0	0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Aug	392.1	389.2	0	0
Sep	393.2	390.3	393.5	390.0
Dec	397.2	394.3	397.5	394.0
Jan	398.6	395.7	0	0
Mar	401.4	398.4	400.0	398.5
May	404.2	401.2	0	0
Jul	406.8	403.8	0	0
Sep	409.7	406.6	408.0	408.0
Dec	414.2	411.1	414.5	412.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Aug	113.10	113.55	113.50	112.90
Sep	113.35	113.95	113.85	113.15
Oct	113.25	113.80	113.25	113.25
Nov	113.05	113.60	0	0
Dec	113.10	113.65	113.40	112.90
Jan	112.70	113.20	0	0
Feb	112.35	112.85	0	0
Mar	112.05	112.50	112.30	111.80
Apr	111.40	111.80	0	0
May	110.90	111.25	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Sep	21.61	22.00	21.82	21.80
Oct	21.71	21.88	21.80	21.70
Nov	21.80	21.78	21.71	21.61
Dec	21.58	21.79	21.60	21.52
Jan	21.40	21.53	21.49	21.40
Feb	21.26	21.37	21.30	21.25
Mar	21.10	21.22	0	0
Apr	20.98	21.08	20.98	20.98
May	20.86	20.96	0	0
Jun	20.74	20.84	20.75	20.74

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Aug	60.40	60.89	60.75	60.30
Sep	60.90	61.35	61.20	60.60
Oct	61.30	62.35	62.25	61.80
Nov	62.85	63.35	63.15	62.60
Dec	63.75	64.22	64.20	63.70
Jan	64.00	64.46	64.30	64.00
Feb	63.00	63.46	63.45	63.00
Mar	60.70	61.01	61.10	60.68
Apr	58.60	58.75	58.60	58.60
May	56.75	57.01	56.90	56.75

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Sep	1035	1027	1046	1027
Dec	1094	1087	1106	1087
Mar	1146	1136	1148	1138
May	1174	1165	1177	1174
Jul	1203	1194	1206	1202
Sep	1233	1224	0	0
Dec	1265	1259	0	0
Mar	1304	1295	1310	1300
May	1332	1323	0	0

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Sep	57.95	56.55	58.00	56.75
Dec	60.10	59.35	60.10	59.50
Mar	62.80	61.10	62.85	61.00
May	65.55	65.15	65.70	65.15
Jul	68.70	67.00	68.70	68.70
Sep	70.85	69.60	0	0
Dec	74.40	73.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Oct	9.48	9.39	9.50	9.36
Mar	9.24	9.20	9.26	9.16
May	9.18	9.15	9.22	9.10
Jul	9.12	9.06	9.17	9.10
Oct	9.05	8.96	9.12	9.05

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Oct	61.82	61.63	62.15	61.47
Dec	60.27	60.35	60.30	60.25
Mar	61.44	61.58	61.70	61.30
May	62.20	62.40	62.30	62.05
Jul	62.76	62.77	62.95	62.75
Oct	63.00	63.03	0	0
Dec	63.30	63.38	63.30	63.28

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Sep	118.15	118.70	119.00	117.75
Nov	114.10	114.40	114.90	114.00
Jan	113.60	113.75	114.00	113.30
Mar	113.65	113.85	114.10	113.50
May	113.85	113.85	114.05	113.90
Jul	113.65	113.45	114.00	114.00
Sep	113.65	113.45	0	0
Nov	113.65	113.45	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)			
Jul 30	Jul 29	mnth ago	yr ago
1543.2	1548.6	1548.8	1692.5

DOW JONES (Base: Dec. 31 1974 = 100)				
	Jul 29	Jul 28	mnth ago	yr ago
Spot	118.52	116.79	118.74	120.84
Futures	117.94	118.36	118.87	123.71

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Aug	560/6	564/4	566/4	560/2
Sep	560/6	564/4	566/4	560/2
Nov	560/0	566/2	568/0	559/0
Jan	567/2	574/0	575/4	567/0
Mar	575/4	581/6	583/2	575/0
May	581/6	587/6	590/0	581/4
Jul	586/2	592/0	594/4	585/4
Aug	586/4	591/6	592/4	586/4

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Aug	18.62	18.88	18.90	18.60
Sep	18.84	19.05	19.10	18.79
Oct	19.00	19.20	19.27	18.97
Dec	19.29	19.52	19.58	19.26
Jan	19.47	19.64	19.73	19.45
Mar	19.76	19.94	20.03	19.75
May	20.04	20.23	20.30	20.01
Jul	20.30	20.50	20.30	20.30

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Aug	175.3	175.2	175.6	174.9
Sep	176.4	176.3	176.9	176.0
Oct	192.8	192.8	193.3	192.5
Dec	191.7	191.7	192.5	191.3
Jan	191.1	191.5	191.9	190.8
Mar	190.6	190.9	191.2	190.1
May	189.3	189.6	190.0	189.0
Jul	189.7	190.0	190.5	189.5

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Sep	221/6	223/6	225/0	221/4
Dec	224/6	227/0	228/0	224/4
Mar	233/2	235/2	236/2	233/0
May	238/4	240/2	241/2	238/4
Jul	243/2	244/0	244/4	242/0
Sep	242/2	244/0	244/0	242/2
Dec	244/0	245/4	245/4	244/0

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Sep	323/4	330/6	331/4	322/4
Dec	334/2	338/4	340/6	332/0
Mar	339/2	343/0	344/6	337/2
May	334/0	338/0	339/0	333/0
Jul	318/0	319/4	319/4	314/2
Sep	321/0	324/4	0	0
Dec	331/0	333/4	331/0	331/0

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Aug	73.750	73.175	73.825	73.300
Oct	73.775	72.950	73.900	73.125
Dec	72.175	71.575	72.275	71.625
Feb	71.575	71.175	71.600	71.050
Apr	72.775	72.450	72.775	72.350
Jun	69.775	69.500	69.850	69.500
Aug	68.300	68.225	68.600	68.300

LIVE HOGS 40,000 lb; cents/lbs				
	Close	Previous	High/Low	
Aug	43.150	42.800	43.350	42.925
Oct	38.125	37.925	38.250	38.000
Dec	39.975	39.800	40.150	39.925
Feb	41.000	40.825	41.100	40.950
Apr	39.800	39.675	39.800	39.550
Jun	45.100	45.150	45.350	45.100
Aug	43.300	43.250	43.300	0
Oct	41.500	0	0	0

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Jul	31.775	30.975	31.950	30.300
Feb	40.075	39.600	40.650	39.500
Mar	39.850	39.425	40.100	39.400
May	40.700	40.100	40.700	40.250
Jul	39.400	39.600	41.000	39.400
Aug	40.000	38.600	40.000	0

LONDON STOCK EXCHANGE

Equity recovery changes into reverse

By Terry Byland, UK Stock Market Editor

AN ATTEMPT to extend the recovery in UK equities ran abruptly into reverse yesterday, and by the close of trading London was joining in the general reaction on European bourses to negative comments on German interest rate prospects from the president of the Bundesbank. Not even a 6.6 per cent jump in ICI shares on the disclosure that the chemical group *is considering splitting* itself into two public companies could save the FT-SE Index from a 28-point about-turn which left it 11.6 down on the day at 2,411.6.

Equities opened strongly, spurred on by the 45-point gain in Wall Street's Dow Average overnight and a 459-point advance in the Nikkei Average. *The Footsie, benefiting from* the huge rise in ICI, equivalent to 4.7 points on the index at one stage, extended its initial rise to 16.5.

The stock market at first chose to brush off the rejection by Mr Helmut Schlesinger, Bundesbank president, of the prospect for cuts in German interest rates before the end of the year, although his comments had been reported in the UK morning press.

But London's optimism was reined in when the other European bourses began to turn easier. Hints that Wall Street might not be able to extend its gains into a third trading session also unsettled London although, in the event, Wall Street was opening steadily, with the Dow Average hardly changed when the UK market closed for the day.

It was soon clear that the institutions were less willing to chase share prices after the substantial recovery in the UK stock market over the the two previous trading sessions. The stock index futures sector turned somewhat erratic as the UK investment bank which had been active in the September Footsie this week backed away. While the Bundesbank president's views on interest rates were not unexpected, pessimism on interest rates was underlined by falls in UK government bonds.

When the initial excitment over ICI's plans had died down a little, traders accepted that the interim trading statement from the blue chip chemical group had done little to lift the gloom still hanging over the British corporate scene.

The strategy team at Credit Lyonnais Laing has examined the market leaders in terms of funds flow and debt risk, and comments that the renewed flow of brokerage profit downgrades has increased pressure on weak balance sheets. Credit Lyonnais now has top down estimates of earnings growth of 10 per cent for both this year and next, somewhat below the aggregate view of City analysts, which it considers to be too optimistic.

However, there seemed to be *no great change in market sentiment* yesterday. Stock Exchange statistics disclosed that retail, or customer, business in equities jumped to £1.3bn on Wednesday, confirming that the market recovery has been led by genuine investment interest. A pause for breath was not unexpected and seemed implied by the dip in Seaq trading volume, which incorporates both retail and intra-market business, *to* 431.1m shares yesterday from Wednesday's 566.1m.

Account Dealing Dates		
*First Dealings:		
Jul 27	Aug 10	Aug 24
Option Declarations:		
Aug 6	Aug 20	Sep 3
Last Dealings:		
Aug 7	Aug 21	Sep 4
Account Day:		
Aug 17	Sep 1	Sep 14

*New time dealings may take place from 8.30 am two business days earlier.

Market excited by ICI news

THE SHOCK news that ICI was considering demerging its businesses overshadowed the chemical group's disappointing interim results and sent the share price soaring. Opening at 1095p, the stock rose rapidly, touching 1229p before declining in hectic dealings to close a net 77 ahead at 1171p with a hefty 14m traded.

Chemicals observers were most excited by the prospect of the proposed *ICI Bio* group, which would include ICI's pharmaceutical, agrochemical, seed and specialty chemical businesses, believing it would pave the way for further merger or acquisition opportunities in these industries. For this reason, Fisons, long tipped as a potential partner for ICI's drugs and agrochemical interests, rose 10 to 173p with a substantial 9.5m dealt.

While details of the plan are scarce, Mr Martin Glen at Lehman Brothers says he would put an initial value on the new ICI of 1250p, giving ICI Bio an earnings per share of 15p and *the new ICI one of 10p.*

The excitement overshadowed ICI's interim report, which pointed to continuing tough trading conditions and, somewhat ironically, the poor showing by the pharmaceutical and agrochem divisions. Lehman cut its forecast for this year by £50m to £800m and for 1993 by £80m to £920m. Kleinwort Benson is on similar ground, forecasting £805m and £920m respectively.

Marks placing

Traders were impressed when the market absorbed a *very large placing of 31.15m* shares in Marks and Spencer without too much problem yesterday. The shares were placed by Cazenove at 305p on behalf of trustees in the Marks and Spencer pension fund, which was reacting to professional advice against pension scheme investment in shares of its own company. On turnover of 41m, Marks finished 8 lower at 311p.

Legislation requires a pension fund to reduce any equity holding in its own company to less than 5 per cent by March 1994. Before yesterday's placing, Mark's pension fund held 24m shares in the company, representing about 7 per cent of its total assets by value. It retains a holding of 2.85m shares.

The last set of interim figures from Midland Bank, now under the control of Hongkong and Shanghai Banking (HSBC), caused only the merest flicker in HSBC shares, which eased 1½ to 335½p on 6.6m turnover.

Lloyds Bank, reporting first-half figures this morning, held at 467p, while National Westminster dipped 5 to 325p and Barclays 3 to 319p.

Dealings commenced in TransAtlantic, the life assurance company which took over *Sun Life. The shares were in*itially quoted below the 190p mark but gradually improved to end a very quiet debut session at 195p.

Widespread bad publicity regarding water quality inspired some persistent selling of Thames Water, 7 off at 405p. Other poor performers in the sector included Anglian Water, 6 down at 388p, North West, 5 cheaper at 412p, and Yorkshire, 9 weaker at 428p.

Suggestions that James Capel, the agency broker, had been recommending a switch out of the Scottish generators into National Power and PowerGen triggered some big activity in the sector. National (239p) and PowerGen (251p) added 4 each, but Scottish Power retreated 5 to 184p and Scottish Hydro eased to 204½p.

Heavy US buying of BP died away, the shares slipping 2½ to 214p after an initial level of 218p. Turnover reached 9m. Shell also ran into a flurry of small but persistent selling, closing a net 3 off at 466p.

Lasmo was heavily traded, some 5.7m shares changing hands, with the stock finally a shade off at 133p.

Bad publicity over the group's oil and gas acquisitions in Kazakhstan saw British Gas dip 2½ to 246½p on turnover of 10m shares.

Cable and Wireless ran up strongly to close 12 higher at 537p, with the market said to be responding to a bullish view of the stock adopted by broker Strauss Turnbull.

MicroFocus forged ahead 45 to 1715p, with demand stimulated by the strong performance of Wall Street in recent sessions.

British Aerospace staged a strong rally after the heavy selling induced by worries about the group's long-term strategy. Stimulated by a handful of buy notes, notably one from leading research house County NatWest, the shares climbed 11 to 206p, with dealers still aware of hints that GEC may be lurking in the background as a potential predator.

Property shares were again under pressure as an abundance of stock hit the leading stocks. Hammerson 'A' tumbled 26 to 213p, Great Portland Estates 7 to 110p and British Land 3 to 168p. MEPC lost 17 to 226p, with turnover boosted by a late trade of 4.4m shares at 210p, believed to have been a bed and breakfast, or tax-related, deal.

Hotel group Forte bounced *after positive comments to ana*lysts that some parts of the hotel market were showing signs of resilience, and also news of a large contract awarded to its subsidiary Gardner Merchant. The shares rallied 6 to 150p.

The brewing and drinks sector was generally weak, with Grand Metropolitan losing 8 to 415p after a small downward revision in its profits forecast by Lehman Brothers. The US securities house remained posi*tive on the stock, however,* saying that any weakness in GrandMet's US food operations is likely to be offset by benefits in the international spirits trade. Guinness slipped 12 to 532p, while Bass shed 7 to 538p.

Allied-Lyons' performance was relatively more positive, after this week's decision that its brewing deal with Carlsberg will go ahead in spite of the Monopolies and Mergers Commission's modifications to the agreement. The shares finished just ½ off at 615p.

Regional brewer Gibbs Mew, an unlisted security, jumped 30 to 168p on an "unsolicited approach" by Brierley Investments, which said it is considering making an offer, although no price or terms have been indicated.

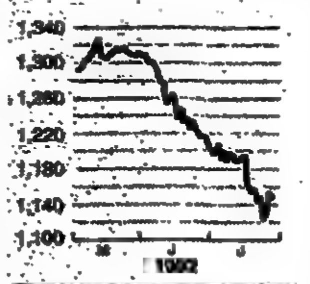
Hepworth, the building products group, added 4 at 310p after interim figures above City forecasts. But expectations of a big bounce in the building materials sector proved premature. RMC remained under constant pressure and fell 12 to 489p.

Mirror Group Newspapers held at 69p but turnover, which stalled on Wednesday after a series of heavy trading sessions, began to pick up again. By the close of business yesterday some 3.3m shares had changed hands, with a block of 1.2m traded late in the session at 68p.

MARKET REPORTERS:
Colin Millham,
Christopher Price,
Steve Thompson.

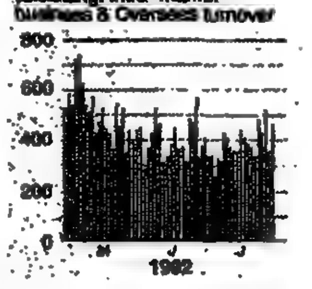
■ Other market statistics, Page 21

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover



FINANCIAL TIMES STOCK INDICES

	July 30	July 29	July 28	July 27	July 24	Year Ago	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs	88.68	89.00	89.12	89.17	89.19	85.09	89.75 (3/7)	85.11 (1/4)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	105.40	105.77	105.83	105.84	105.80	93.83	106.35 (6/7)	97.15 (2/1)	106.35 (6/7/92)	50.53 (3/1/75)
Ordinary Share ●	1805.9	1815.1	1785.6	1767.0	1789.1	2008.7	2149.7 (22/5)	1767.0 (27/7)	2149.7 (22/5/92)	49.4 (26/6/40)
Gold Mines	91.0	93.0	91.5	90.5	93.1	180.7	160.6 (10/1)	85.6 (8/7)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2411.6	2423.2	2373.4	2348.0	2377.2	2591.7	2737.6 (11/5)	2348.0 (27/7)	2737.6 (11/5/92)	986.9 (23/7/84)
FT-SE Eurotrack 200	1106.13	1112.56	1090.65	1087.01	1088.40	1174.74	1248.79 (11/5)	1087.01 (27/7)	1248.79 (11/5/92)	938.82 (16/1/91)
●Ord. Div. Yield	5.11	5.11	5.19	5.25	5.17	4.72				
●Earning Yld %(full)	7.26	7.37	7.51	7.60	7.48	8.11				
●P/E Ratio(Net)(*)	17.41	17.07	16.76	16.57	16.84	15.23				
SEAQ Bargains 5.00pm	18,583	20,284	18,008	18,956	22,099	26,549				
Equity Turnover(£m)†	-	1297.7	817.0	1273.1	977.5	914.1				
Equity Bargains†	-	21,767	20,373	21,333	25,048	27,204				
Shares Traded (ml)†	-	473.2	355.4	525.6	431.5	416.3				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55, Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90 ≈ Nil 18.17.

Ordinary Share Index, Hourly changes Day's High 1833.8 Day's Low 1805.9

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1831.6	1827.8	1806.4	1811.1	1808.6	1807.0	1809.6	1810.6	1810.8

FT-SE 100, Hourly changes Day's High 2439.7 Day's Low 2410.3

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2438.2	2433.9	2414.8	2419.0	2411.7	2411.4	2413.3	2414.7	2414.8

FT-SE Eurotrack 200, Hourly changes Day's High 1109.88 Day's Low 1103.53

Open	10.30 am	11 am	12 pm	1 pm	2 pm	3 pm
1107.69	1109.09	1109.69	1108.71	1106.11	1106.09	1106.85

GILT EDGED ACTIVITY

Indices*	July 29	July 28
Gilt Edged Bargains	81.4	89.4
5-Day average	95.5	97.3

*SE Activity 1974
†Excluding intra-market business and Overseas turnover.

London report and latest Share Index: Tel 0891 123001. Calls charged at 36p/minute cheap rate, 48p/minute at all other times.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
AGT	1	459	-2
ASDA Group	1,400	38	-½
Abbey National	2,800	267	
Albert Fisher	1,100	39	+1½
Allied-Lyons	623	615	-½
Argyll Group	2,100	344	-1
Coats Viyella	1,600	177	+1
[illegible]			

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

ANOTHER busy day in stock index futures saw a strong opening peter out into retreat as the market turned its attention back to the worries over the economy, writes Christopher Price.

After Wednesday's good performance and a sharply higher Wall Street overnight, the September FT-SE contract started brightly at 2,447 and rose to reach 2,454. However, this proved to be the high point of the day as BZW, which had been a big buyer over the past two days, resorted to profit-taking.

September went into retreat as the market returned to its gloomy prognosis on the economic outlook, with comments from the Bundesbank chairman that German interest rate cuts are unlikely in the foreseeable future dominating sentiment. With gilts and short sterling both weak, September's slow decline, albeit punctuated by technical rallies, continued throughout the afternoon. The contract closed at 2,425, down 20 points from Wednesday, and at only a one-point premium to estimated fair value. Turnover was a steady 9,226 lots.

ICI dominated traded options in an otherwise quiet day. The chemicals group recorded 4,486 contracts out of a day's total of 20,783.

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thursday July 30 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1992 to date	Wed Jul 29 Index No.	Tue Jul 28 Index No.	Mon Jul 27 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (176)	736.24	-0.3	8.03	6.10	15.91	20.52	738.27	726.27	727.17	832.88
2 Building Materials (22)	782.06	-0.8	6.89	7.17	19.78	25.58	788.31	769.13	768.95	1064.43
3 Contracting, Construction (28)	638.93	-0.2	5.76	9.35	36.64	25.20	640.31	636.07	639.65	1154.84
4 Electricals (9)	2198.52	+0.7	7.86	6.89	16.47	68.82	2183.62	2212.88	2233.13	2438.43
5 Electronics (28)	1891.99	....	8.53	4.57	14.61	45.48	1892.96	1876.33	1884.15	1716.89
6 Engineering-Aerospace (6)	296.16	-1.2	12.30	8.80	10.29	11.27	299.84	294.30	300.41	423.33
7 Engineering-General (43)	452.34	-0.1	9.11	5.32	13.60	11.44	452.95	450.33	450.15	454.95
8 Metals and Metal Forming (7)	289.68	-1.5	5.77	7.61	25.37	7.18	294.00	288.85	281.03	431.24
9 Motors (14)	311.61	+0.2	8.61	7.55	15.29	10.14	311.11	307.50	310.86	318.15
10 Other Industrial Materials (19)	1595.63	-0.1	7.77	5.20	15.51	38.28	1596.69	1556.87	1554.29	1609.33
21 CONSUMER GROUP (189)	1537.71	-0.8	7.95	3.74	15.43	26.58	1550.32	1526.13	1509.07	1524.56
22 Brewers and Distillers (24)	1958.36	-1.5	8.45	3.73	14.28	37.26	1987.42	1955.44	1921.55	1848.20
25 Food Manufacturing (19)	1174.26	-0.5	9.19	4.50	13.46	26.01	1179.83	1167.65	1158.36	1205.21
26 Food Retailing (18)	2740.90	-0.8	8.90	3.33	14.64	44.70	2762.60	2720.63	2701.32	2744.26
27 Health and Household (24)	3816.88	-0.3	7.26	2.80	15.68	37.92	3829.47	3758.02	3741.99	3625.40
29 Hotels and Leisure (18)	1117.36	+0.8	7.18	6.12	18.09	33.45	1108.91	1090.08	1069.49	1297.45
30 Media (27)	1429.63	-1.0	7.22	3.71	17.18	27.19	1444.76	1433.39	1406.57	1438.30
31 Packaging, Paper & Printing (17)	718.34	-0.7	7.18	4.60	16.89	14.76	723.06	720.47	712.10	746.84
34 Stores (33)	976.81	-1.7	7.71	3.81	17.13	16.96	994.09	973.64	959.53	987.26
35 Textiles (9)	619.01	....	7.84	5.01	15.89	14.72	619.29	610.14	609.46	592.46
40 OTHER GROUPS (118) ●	1206.33	+0.4	10.31	5.48	12.07	31.17	1201.58	1181.79	1174.70	1260.54
41 Business Services (17)	1253.55	-0.6	6.71	4.11	18.21	21.03	1261.66	1224.83	1194.73	1340.37
42 Chemicals (22)	1349.24	+3.2	7.24	5.39	17.15	33.10	1307.84	1296.50	1293.14	1443.70
43 Conglomerates (11)	1207.78	+0.9	10.33	7.80	12.14	24.83	1196.93	1178.78	1163.13	1466.73
44 Transport (14)	2214.71	-0.8	8.91	5.33	13.85	55.92	2232.72	2195.83	2177.49	2255.56
45 Electricity (16)	1298.30	+0.6	15.28	5.65	8.29	38.33	1290.91	1287.44	1298.67	1209.84
46 Telephone Networks (4) ●	1392.34	+0.2	10.86	4.74	12.00	46.12	1390.03	1351.29	1341.91	1510.44
47 Water (11)	2696.67	-1.1	16.61	6.42	6.66	86.85	2725.95	2729.07	2717.36	2324.85
48 Miscellaneous (23)	1966.96	-0.4	6.75	5.15	18.61	29.19	1974.00	1931.83	1917.10	2009.75
49 INDUSTRIAL GROUP (483) ●	1231.34	-0.3	8.73	4.71	14.23	26.94	1235.45	1215.68	1206.74	1271.63
51 Oil & Gas (17)	1880.27	-0.8	8.20	7.57	15.97	63.73	1895.18	1848.00	1825.87	2481.24
59 500 SHARE INDEX (500) ●	1293.63	-0.4	8.67	5.00	14.39	29.89	1298.55	1276.61	1266.62	1374.18
61 FINANCIAL GROUP (85)	688.86	-0.8	-	6.54	-	20.17	694.25	681.68	671.44	808.83
62 Banks (9)	931.17	-0.5	7.09	5.88	20.02	24.58	936.23	918.53	898.79	926.90
65 Insurance (Life) (6)	1442.63	-1.0	-	6.17	-	44.26	1457.65	1409.46	1381.68	1548.08
66 Insurance (Composite) (7)	437.02	-0.6	-	7.96	-	13.46	439.68	424.20	418.66	665.82
67 Insurance (Brokers) (10)	758.75	-0.9	10.22	8.56	12.88	30.14	765.37	752.21	742.44	1151.50
68 Merchant Banks (7)	428.59	-0.2	-	5.04	-	11.25	429.60	428.23	431.64	437.84
69 Property (31)	537.54	-2.5	10.83	8.53	12.49	20.31	551.28	560.63	564.53	922.88
70 Other Financial (15)	233.88	....	7.76	7.39	17.44	6.63	233.80	231.32	230.93	251.27
71 Investment Trusts (70)	1086.85	-0.2	-	4.13	-	20.64	1089.23	1075.77	1074.88	1224.95
99 ALL-SHARE INDEX (655)	1148.53	-0.4	-	5.17	-	27.23	1153.43	1133.89	1124.19	1237.31

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jul 29	Jul 28	Jul 27	Jul 24	Jul 23	Year ago
FT-SE 100 SHARE INDEX‡	2411.6	-11.6	2439.7	2410.3	2423.2	2373.4	2348.0	2377.2	2399.5	2591.7

FIXED INTEREST

PRICE INDICES	Thu Jul 30	Day's change %	Wed Jul 29	Accrued interest	xd adj. 1992 to date
British Government					
1 Up to 5 years (24)	121.14	-0.08	121.24	1.45	7.91
2 5-15 years (25)	137.32	-0.41	137.89	1.74	8.37
3 Over 15 years (8)	149.38	-0.50	150.14	1.81	7.35
4 Irredeemables (6)	168.31	-0.59	169.31		7.34
5 All stocks (63)	134.87	-0.32	135.30	1.67	8.24
Index-Linked					
6 Up to 5 years (2)	172.89	-0.09	173.06	1.25	1.83
7 Over 5 years (10)	149.21	-0.37	149.76	0.51	3.09
8 All stocks (12)	151.28	-0.33	151.78	0.60	2.90
9 Debs & Loans (65)	121.22	-0.01	121.49	2.70	6.53

AVERAGE GROSS REDEMPTION YIELDS		Thu Jul 30	Wed Jul 29	Year ago (approx.)
British Government				
1 Low	5 years	8.50	8.41	9.02
2 Coupons	15 years	8.86	8.80	9.02
3	25 years	8.88	8.80	9.02
4 Medium	5 years	9.36	9.32	10.20
5 Coupons	15 years	9.06	8.99	10.03
6 (0%-10¾%)	25 years	9.11	9.03	9.97
7 High	5 years	9.61	9.53	10.37
8 Coupons	15 years	9.28	9.21	10.14
9 (11%-)	25 years	9.17	9.09	10.04
10 Irredeemables		9.09	9.03	10.01
Index-Linked				
11 Inflation rate 5%	Up to 5yrs	4.23	4.20	4.43
12 Inflation rate 5%	Over 5 yrs	4.51	4.48	4.40
13 Inflation rate 10%	Up to 5yrs	3.49	3.45	3.49
14 Inflation rate 10%	Over 5 yrs	4.30	4.27	4.21
15 Debs & Loans	5 years	10.61	10.59	11.84
16	15 years	10.36	10.34	11.62
17	25 years	10.21	10.20	11.42

‡Opening Index 2438.2; 9 am 2433.9; 10 am 2414.8; 11 am 2419.0; Noon 2411.7; 1 pm 2411.4; 2 pm 2413.3; 2.30 pm 2413.9; 3 pm 2414.7; 4.10 pm 2412.3; (a) 8.36am (b) 12.07pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, 2nd Floor, 126 Jermyn Street, London SW1Y 4UJ. Tel: 071-925 2323. ● Correction to yesterday's earnings yields and P/E ratios respectively; Other Groups 10.43, 11.91; Telephone Networks 10.88, 11.98; Industrial Group 8.72, 14.23; 500 Share Index 8.66, 14.40

NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (8).
BREWERS & DISTILLERS (1) Holt (J), CHEMICALS (1) Engelhard, ELECTRICALS (1) Menvier-Swain, ELECTRONICS (1) Star Computers, INSURANCE LIFE (1) Torchmark, MEDIA (1) CIA, METAL & METAL FORMING (1) Clayhithe 9½pc Cv '00-01, PROPERTY (1) Etonbrook.
NEW LOWS (109).
BRITISH FUNDS (2) Ex 13½pc '92, Tr 4¼pc IL '30, BREWERS & DISTILLERS (2) Eldridge Pope, Greenalls, BUILDING MATERIALS (5) Stockleys, Heywood Williams, Do Cv Pf, Polypipe, Sharpe & Fisher, Tarmac, CHEMICALS (2) Ellis & Everard, Leigh Intls., CONGLOMERATES (3) Fletcher Challenge, Trafalgar Hse., Do A, CONTRACTING & CONSTRUCTION (8) NSM, Raine, Torex Hire, Vibroplant, Ward Hldgs, ELECTRICALS (1) Dale, ELECTRONICS (2) Alphameric, [illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
[illegible]							

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
[illegible]							

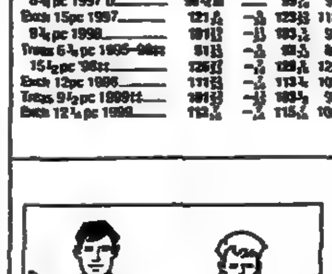
BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
[illegible]							

(1) ... 10% and (2) 3.9%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for December 1991: 135.7 and for June 1992: 139.3

OTHER FIXED INTEREST

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
[illegible]							



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LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs	h	16 3/16xd	+3/16	19 1/8	14 5/8	13,627	2.0
Allegheny & W		304p	—	395p	226p	158.0	5.2
Amdahl		712p	+6	1159p	706p	797.7	0.7
Amer Dynamic		32	+1/8	37	28 5/8	2,925	2.7
Amer Express		12 7/16xd	+1/16	13 7/8	10 13/16	5,729	4.4
Amer T & T		22 13/16xd	+1/8	24 7/8	20 1/8	30,423	3.0
Ameritech		36	+1/2	36 15/16	32 1/2	15,762	5.1
BankAmerica		23 1/2xd	-1/4	27 1/8	19 1/16	8,060	2.9
Bankers NY		32xd	+1/8	37 1/4	28 7/8	2,852	4.8
Bell Atlantic		25	+1/8	28 1/4	23 1/8	16,762	5.4
BellSouth		27 1/2	+1/2	29 1/8	25	13,444	5.3
Bethlehem Steel		7 3/16xd	+1/2	9 5/8	6 7/8	569.3	—
Bowater		1051pxd	+21	1579p	1016p	378.8	6.0
CPC	h	25 1/8xd	+1/16	25 1/8	22 7/8	3,881	2.5
Cadiz Land Inc		170p	—	342p	168p	—	—
California Engy		622p	—	833p	599p	113.2	—
Campbell Soup		19 7/16xd	+1/16	[illegible]	17 7/8	4,910	2.1
Chase Manhattan		13 3/16xd	+1/8	16 1/2	9 1/8	1,871	4.7
Chrysler		11 1/4xd	+1/16	11 1/2	6 1/4	3,286	2.8
Citicorp		10 1/16xd	+1/16	11 1/8	5 7/8	3,573	—
Colgate-Palm		27 1/4xd	+1/4	29 7/16	25 1/4	4,338	2.4
Cont'l Bank		914p	+4	1036p	[illegible]	923.8	[illegible]
Dana		21 7/16xd	+1/16	24 1/2	14 1/16	976.2	3.9
Data General		477p	+24	1004p	388p	131.8	—
Decora Inds		104p	—	[illegible]	86p	—	—
Dun & Brad		36 1/4	+1/4	39 1/2	27 5/8	5,397	3.9
Eaton		41	+1 1/8	46 1/2	32 1/2	1,409	2.8
Echlin		10 7/8xd	+1/8	11	7 7/8	579.4	3.5
FPL		19 1/2xd	+1/4	20	18 1/8	5,381	6.6
Fluor		22 7/8	—	27	[illegible]	1,683	1.0
Ford Motor		23 1/8xd	-1/2	28 7/8	15	11,227	2.3
Gen Elect		40 1/4xd	+1	46 1/4	38 13/16	34,780	3.1
General Host		468p	—	555p	380p	—	4.1
Gillette		27 5/8xd	+1/8	29 7/8	23 13/16	6,088	1.4
Hasbro		16 1/2	—	18	12 1/8	1,335	0.7
Honeywell		34xd	+5/8	40	33 1/16	2,374	2.5
Houston Inds		24	+1/4	25	22 7/8	3,108	6.5
IBM		49 1/2xd	+7/8	64 1/2	48 1/4	28,250	5.1
Ingersoll-Rand	h	14 1/2	+1/8	19 1/2	13 1/8	1,563	2.4
Lockheed		24 1/2	+1/2	28 7/8	22 7/8	1,516	4.5
Lowe's	h	1162p	+36	1273p	615 1/2p	847.3	1.3
Merrill Lynch		27 1/4xd	+7/8	39 13/16	24 7/8	2,799	1.9
Morgan (JP)		31 7/16	+1/8	37 1/2	28 7/16	5,960	3.6
Morris (Philip)		41 1/4xd	+11/16	45 7/16	37 13/16	37,943	2.7
NYNEX		43	+1/4	44 1/8	39 5/8	8,798	5.6
For Pacific Agricultural see Cadiz land Inc							
Pall		14	+1/8	17 13/16	10 7/16	1,228	1.3
Pennzoil		35 1/4xd	+1/16	30 3/4	23 1/8	1,842	6.1
Quaker Oats		30 1/2xd	+1/8	40 7/8	28	2,279	3.0
Rockwell		12 13/16	+1/16	15 13/16	11 1/2	2,882	3.8
Rep NY		22 13/16xd	+1/16	26 7/8	20 7/8	1,193	2.3
Sears, Roebuck		21 7/8xd	+1	28	19 7/16	7,272	4.9
Sthwestern Bell		34 1/8	+1/8	35 7/8	31 1/8	10,317	4.4
Sun Co		13 3/16xd	+1/16	16 7/8	13 1/16	1,396	7.3
Tenneco		20 1/4xd	+11/16	25 7/16	16 1/2	2,581	4.1
Texaco		33xd	-1/8	38 5/8	30 13/16	8,531	5.1
Time Warner		65 1/8xd	—	102 1/8	46 1/2	5,281	0.3
Unilab		320p	—	687p	320p	287.2	—
Utd Tech		29 1/4xd	+1 1/2	31 1/4	26 1/8	3,878	3.2
URS Intl. 1c		0 3/4p	—	1 1/4p	0 1/4p	2.38	—
US West		20 5/8	+1/8	21 13/16	18 1/4	8,454	5.4
Varity		1012p	+41	1058p	632p	232.5	—
Waste Manage		18 1/8xd	+1/8	25	17 7/8	8,481	1.3
Whirlpool		2369pxd	+62	2796p	1874p	1,458	2.8
Woolworth		14 13/16	+1/16	18 1/4	13 1/4	1,831	4.0

CANADIANS

	Notes	Price £	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's
Abbot Energy		1 3/4p	—	2p	1 3/4p	—	—
Amer Barrick		1603p	—	1642p	1288p	2,148	0.3
Bk Montreal		21	+1/4	23 1/4	19 1/2	2,589	4.6
Bk Nova Scot		1020p	+27	1176p	899p	2,078	4.8
BC Gas		742p	—	876p	683p	—	3.7
BCE		20 1/8	+1/8	24 1/2	19 1/4	6,322	5.8
Brascan		730p	+8	937p	704p	698.5	6.4
Breakwater		18 3/4p	—	30p	6p	11.9	24.3
Can Imp Bk		1213p	+13	1516p	1157p	2,256	5.0
Can Pacific		796p	+8	936p	742p	2,409	1.9
4pc Deb		38	—	38	34	18.8	11.1
Denison		240p	—	396p	238p	—	5.3
Echo Bay		330p	—	496p	300p	388.2	1.0
ECO		17 1/2p	—	42p	12p	—	—
Gulf Can		229pxd	+2	490p	219p	388.5	—
Hawker Sid		10 3/4	+1/8	12 1/8	10 1/4	68.4	4.6
Hudson's Bay		1176p	+7	1607p	1140p	361.0	3.1
Imperial Oil		19 1/8xd	+1/4	21 1/2	18 7/8	3,804	3.5
Inco		18xd	+1/8	19 1/4	13 1/4	1,780	2.8
Int Corona		318p	—	388p	318p	818.8	1.4
Moscocho		3 1/2p	—	4 7/8p	1p	—	—
N A Tire Recycling		48p	-1	65p	34 1/2p	1.81	—
Nova Corp Alberta		373pxd	+4	428p	319p	1,115	3.0
Rio Algom		749p	—	919p	675p	327.1	4.9
Royal Bk Can		1114p	+6	1418p	1018p	3,473	4.7
TVX Gold		144p	—	184p	143p	23.3	—
Toronto-Dom		833p	+20	944p	743p	2,088	4.6
Trans Can Pipe		806p	+25	868p	758p	1,289	4.3

BANKS

	Notes	Price	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£14 1/4	+13	£14 1/4	£12 7/8	3,740	6.4	♦
ANZ A$	g	144	+4	*197 1/2	137	1,761	5.4	12.3
Abbey National		287	—	317	258	3,888	8.2	8.5
Allied Irish I£		169	—	185	164	1,077	6.0	11.4
Anglo Irish I£	fg	37	—	*39	35	44.5	10.8	5.4
Banco Bilbao Pts		£14 1/8	—	£16 1/4	£13 1/4	3,248	5.8	6.4
Banco de San Pts		£20 1/8	-1/16	£30 1/8	£20 1/8	2,227	6.5	6.8
Bk Ireland I£	z	153	—	180	141	616.5	6.8	28.0
Bank Leumi (UK)		330	—	340	330	26.4	6.6	—
Bank Scotland		108	+1	*124	97 1/2	1,218	5.6	18.5
9 1/4pc Pf		118 3/4	—	120 1/2	104	118.8	10.4	—

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING - AEROSPACE

ENGINEERING - GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INVESTMENT TRUSTS - Cont.

Notes	Price	+ or -	1992 high	1992 low	Yld Gr's	NAV	Dis or Pm(-)
Scottish Inv ... †	154	—	179	149	3.9	184.7	16.6
Warrants	25	+1	38	22	—	—	—
Scot Mortgage	141	-½	167	139	3.7	170.1	17.1
Scot National Inc.	75	—	107	75	16.2	—	—
Cap.	23	—	42	12½	—	—	—
Stepped Pf ... †	141¼	—	142	125	5.6	—	—
Zero Div Pf	185½	—	187½	166½	—	—	—
Warrants	3½	-½	9	3½	—	—	—
Scot Value ... †	61½	—	64	48	3.9	60.4	-1.0
Sec Alliance ... †	1123	+3	1288	1083	4.2	1281.4	12.4
Second Market	234	+1	244	222	9.9	278.1	15.8
Sec Tst Scot	65	—	75½	63	6.7	68.9	5.5
Select Assets	83	+½	102½	82½	1.4	125.3	33.7
Eq Ind Sed	112	-1	123	108	5.1	—	—
Eq Ind Serll	112	-1	123	109	5.1	—	—
Shires	209	+1	249	195	11.7	209.8	0.4
11pc Cv Ln '03/04	£102½	—	£118½	£95½	10.7	—	—
Siam Select	69	—	81	68	2.0	88.1	21.6
Warrants	11	—	21	11	—	—	—
Smaller Cos	74	—	85	67	4.6	82.7	10.6
Warrants	12	—	28	10	—	—	—
Somerset Tst	125	—	140	55	—	83.0	-50.6
Sphere Inc ... N	11xd	—	20	10¼	37.6	15.3	31.3
Zero Div Pf	67¼	—	77¼	65¼	—	—	—
Summit	30	—	55	30	5.6	109.1	72.5
TR City of Lon ... M	107¼	—	127½	87½	5.8	107.8	0.1
TR Euro Growth ... g	76	—	91	74	1.6	92.9	18.1
Ptg Sub ... g	39	—	58	38	8.4	—	—
TR Far East Inc ... M	84	—	95	76	7.0	97.1	13.6
Warrants	15	—	22	12	—	—	—
TR High Inc	97	—	110	91	8.2	97.0	0.0
Sub ... g	22½	—	35	22	8.9	—	—
TR Pacific ... g	76	-1	89	71	8.4	90.0	15.5
TR Prop	18¾	-¼	27	18½	10.3	27.8	32.4

MEDIA - Cont.

Notes	Price	+ or -
WPP	24	+3
Warrants	2½	-½
8¼p Cv Pf	28½	+2
Watmoughs	450	—
Yorkshire TV	174	—

MERCHANT BANKS

Notes	Price	+ or -
Ansbacher (H)	28	—
Baraga 8pc Cv 2nd Pf	69	+½
9¼pc Non-Cum Pf	120¾	-½
Brown Shipley	58	—
Close Bros ... †	210	—
Hambros	232	—
7½pc Cv Pf	106	—
Joseph (L)	330	—
Kleinwort Benson	243	—
Rea Bros	28	—
Schroders	1230	—
N/V	1030	—
Singer & Fried	37	—
Warburg (SG)	462	-3
8pc Cv Pf	157	—
Wintrust	228	—

METALS & METAL FORMING

Notes	Price	+ or -
ASW	76	-2
Apollo Metals	115	-1

MINES - Cont.

Notes	Price	+ or -	1992 high	1992 low	Mkt Cap£m	Yld Gr's
Homestake $	£7½	-⅛	£9¾	£5¼	884.4	1.4
Hiverno West	34	—	53	33	10.0	—
Kells Mnls	17	-1	42	16	6.41	—
Kenmare	2¼	—	6½	[illegible]	2.84	—
Meinga Res	28½	—	46	25	2.92	—
Navan Res	23½	—	36	16	3.16	—
North West Expl A$	3	—	8	2	1.01	—
Oryx Gold $	68	—	103	[illegible]	—	—
Plateau	3	—	13	3	1.37	—
RTZ	568	+9	[illegible]	469	[illegible]	4.6
Vizcaya	1¼	—	3	1	0.84	—
Western & Pac C$	13	—	86	7	7.13	—
Young Grp	19	—	110	4	2.41	21.7

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols relating to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ), and non-UK stocks which are quoted on SEAQ International.
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ◇ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ■ Indicated dividend yield after pending scrip and/or rights issue.
- ◆ Merger bid or reorganisation in progress
- ¢ Forecast dividend yield, p/e based on earnings updated by latest interim statement.
- ■ Un-regulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on preliminary figures. r Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. v Subject to local tax. z Dividend yield includes a special payment. E Auction basis. F Yield based on prospectus or other official estimates for 1990-91. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1991. K Yield based on prospectus or other official estimates for 1992-93. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1991-92. N Yield based on prospectus or other official estimates for 1992. P Figures based on prospectus or other official estimates for 1991. R Forecast annualised yield, p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xf ex capital distribution.

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FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's

AIB Unit Trust Managers Limited (1000)F
51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The maximum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often well above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (✦) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (#) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH. Tel: 071 - 379 - 0444.

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INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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Pearl Assurance (Unit Funds) Ltd

Provident Mutual Life Assc. Assn. - Contd.

Scottish Amicable

Sun Alliance Group

Windsor Life Assur Co Ltd-Contd.

Royal Life Intl. Ltd - Contd.

Fidelity Money Funds - Contd.

Sarasin Funds Mngmt (Guernsey) Ltd

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (REGULATED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

ISLE OF MAN (SIB RECOGNISED)

هكذا من الأصل

FT MANAGED FUNDS SERVICE

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ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar trades in tight ranges

THE DOLLAR traded in tight ranges against the D-Mark yesterday as conflicting economic data was issued in the US, *writes James Blitz.*

The US currency could have been adversely affected by the figure for US GDP in the second quarter, which came in at a 1.4 per cent rise when 1.7 per cent had been expected. However, this figure was outweighed by an upwardly revised figure for first quarter GDP of 2.9 per cent from 2.7 per cent.

Other indicators also kept the dollar above its lows. These included new home sales which jumped 7.9 per cent to 572,000 units in June, while the May figure was revised to a 0.9 per cent fall from the 5.6 per cent fall originally reported. Jobless claims for the week to July 18 also slipped by 21,000 from the 420,000 reported the week before, reviving hopes that next week's monthly employment report will show a rebound. The data kept the dollar trading in tight ranges between DM1.4805 and DM1.4920. It finally closed at DM1.4820, down from a previous close of DM1.4840.

The dollar's performance underlined the view of those who believe that the currency is destined for a long period of range trading following the recent central bank intervention. Dealers are unwilling to have their fingers burned again by the central banks if they push the dollar lower, while the differential between US and German interest rates makes it too expensive to be long of dollars.

A number of chartists also believe that DM1.49 is roughly where the dollar now lies on a trend line drawn since it started to drop in April.

On the European crosses, the Italian lira was again the centre of attention following the resignation of Mr Vincenzo Scotti as the country's Foreign Minister. Although he has no direct impact on economic policy, his resignation signalled a new crisis among the Christian Democrats, the biggest party in the coalition government. The lira came under pressure in the morning falling back to L757 against the D-Mark from a previous close of L755.4. It later recovered, however, to close at L755.5. The markets have clearly been impressed by the Italian parliament's decision earlier in the week to pass a much reduced budget programme.

Other European currencies were mostly unchanged. Sterling closed down at DM2.8430 from a previous close of DM2.8450, hindered by dollar weakness. The French franc shrugged off a disappointing unemployment figure for June, with the seasonally adjusted figure rising by 12,100 to 2,924,700. The fundamental features of the French economy are strong, however, and the franc strengthened to FFr3.377 from a previous close of FFr3.378.

£ IN NEW YORK

July 30	Latest	Previous Close
£ Spot	1.9175 - 1.9185	1.9210 - 1.9220
1 month	1.11 - 1.09pm	1.00 - 0.99pm
3 months	3.25 - 3.22pm	6.22 - 6.19pm
12 months	11.5 - 11.4pm	11.5 - 11.4pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	July 30	Previous
[illegible]	[illegible]	[illegible]

CURRENCY MOVEMENTS

Jul 30	Bank of England Index	Morgan Guaranty Changes %
[illegible]	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for July 29

CURRENCY RATES

Jul 30	Bank rate %	Special Drawing Rights	European Currency Unit
[illegible]	[illegible]	[illegible]	[illegible]

§ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for July 29

OTHER CURRENCIES

Jul 30	£	$
[illegible]	[illegible]	[illegible]
Iran	2717.00*	1435.00*
Korea(Sth)	1500.30 - 1524.50	784.40 - 790.60
Kuwait	0.56065 - 0.56140	0.29300 - 0.29330
Luxembourg	58.65 - 58.75	30.55 - 30.65
Malaysia	4.7820 - 4.7940	2.5020 - 2.5040
Mexico	5740.50 - 5753.10	3110.00 - 3111.00
N Zealand	3.5025 - 3.5065	1.8300 - 1.8320
Saudi Ar	7.1355 - 7.2125	3.7495 - 3.7505
Singapore	3.0855 - 3.0930	1.6135 - 1.6145
S Af (Cm)	5.2925 - 5.3050	2.7650 - 2.7715
S Af (Fn)	7.3610 - 7.4045	3.8460 - 3.8685
Taiwan	47.65 - 47.85	24.90 - 25.00
U.A.E.	6.9870 - 7.0640	3.6715 - 3.6735

*Floating rate Iran Official rate £121.35 563.75

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jul 30	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Portuguese Escudo	178.735	173.238	-3.08	6.16	50
Spanish Peseta	133.631	129.751	-2.90	5.98	49
Belgian Franc	42.4032	42.0576	-0.82	3.75	29
D-Mark	2.05586	2.04166	-0.69	3.62	30
Dutch Guilder	2.31643	2.30250	-0.60	3.52	19
Irish Punt	0.767417	0.765939	-0.19	3.10	-1
French Franc	6.89509	6.89197	-0.05	2.95	-10
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Jul 30	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. Six-month forward dollar 4.24-4.19pm 12 Month 11.43-11.33pm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Jul 30	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Jul 30	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 4¾-4⅝ per cent; three years 5⅛-5 per cent; four years 5⅝-5½ per cent; five years 6⅛-6 per cent nominal. Short term rates are call for US Dollars and Japanese Yen, others: two days' notice.

EXCHANGE CROSS RATES

Jul 30	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta.	Ecu
£	1	1.919	2.843	245.0	9.600	2.535	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
$	0.521	1	1.482	127.7	5.003	1.321	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DM	0.352	0.675	1	86.18	3.377	0.892	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN	4.082	7.833	11.60	1000	39.18	10.35	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	1.042	1.999	2.961	255.2	10	2.641	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	0.394	0.757	1.121	96.65	3.787	1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
N Fl.	[illegible]	0.599	0.887	76.44	2.995	0.791	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lira	0.466	0.893	1.324	114.1	4.469	1.180	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C$	[illegible]	0.849	1.252	107.9	4.229	1.117	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	1.704	3.269	4.843	417.4	16.35	4.319	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pta	0.563	1.061	1.572	135.5	5.310	1.402	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ecu	0.716	1.375	2.037	175.5	6.877	1.816	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS £50,000 64ths of 100%

LIFFE US TREASURY BOND FUTURES OPTIONS $100,000 64ths of 100%

LIFFE BUND FUTURES OPTIONS DM250,000 points of 100%

LIFFE EUROMARK OPTIONS DM1m points of 100%

LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS

LIFFE SHORT STERLING OPTIONS £500,000 points of 100%

LONDON (LIFFE)

CHICAGO

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per £1)

PARIS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BASE LENDING RATES

	%		%		%
Banque Belge Ltd	10	Habib Bank AG Zurich	10	Standard Chartered	10
Barclays Bank	10	● Hambros Bank	10	TSB	10
Brit Bk of Mid East	10	Hampshire Trust Plc	13.5	Unibank plc	10
● Brown Shipley	10	Heritable & Gen Inv Bank	10	● United Bk of Kuwait	10
CL Bank Nederland	10	● Hill Samuel	10	Unity Trust Bank Plc	10
Citibank NA	10	C. Hoare & Co.	10	Western Trust	10
City Merchants Bank	10	Hongkong & Shanghai	10	Whiteaway Laidlaw	10
Clydesdale Bank	10	Julian Hodge Bank	10	Yorkshire Bank	10
Co-operative Bank	10	● Leopold Joseph & Sons	10		
Coutts & Co.	10	Lloyds Bank	10		
		Meghraj Bank Ltd	10		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Futures bearish

STERLING futures performed bearishly yesterday as the market continued to take a gloomy view of the outlook for a base rate cut in the UK.

Comments from Mr Helmut Schlesinger, the Bundesbank President, that an interest rate cut in Germany would not be forthcoming this year pushed the September contract down in the morning. But the fall was deepened after the Dutch central bank decided to raise its special advances money rate to 9.60 per cent from 9.50 per cent. Dealers took the view that Dutch central bank policy is closely tied to the Bundesbank's, and that a tightening of Dutch interest rates one week before the Bundesbank's council meeting does not augur well for rates. After opening at 89.69, September short sterling dipped to a low of 89.64, which was the closing figure. The December contract dropped even further, ending the day 11 basis points down from its previous close, finishing at 89.81.

Trade in the sterling cash market was calmer, as dealers showed a far greater willingness to offer bills to the Bank of England than had been seen earlier in the week. According to one clearing bank trader, several banks had short positions and sold bills in large quantities to the Bank in the hope of bringing the short dates down.

If that was the strategy, it succeeded. The overnight rate sank to a low of 7 per cent offered, from a previous close of 11 per cent, and, at the day's end, the 1-week was offered ⅛ per cent down at 9¾ per cent. The overwhelming bearishness in the market meant that these rates had little impact further out, however. Three-month money closed $\frac{1}{16}$ per cent down on the offered side at $10\frac{5}{16}$ per cent and the 1-year was unchanged at 10¼ per cent.

The Bank of England operated at the established rates of 9¾ per cent for Bands 1 and 2, and $9\frac{13}{16}$ per cent for the repurchase agreement (repo) repayable on 18 and 19 August.

In the morning, the Bank purchased £173m in Band 1, £57m in Band 2, and £369m in the repo. The forecast was then revised down to £700m in the afternoon, and the Bank purchased £100m in Band 1.

German call money remained firm, trading just below the Bundesbank's Lombard rate of 9.75 per cent as banks sought to boost reserves to meet end of month requirements.

UK clearing bank base lending rate 10 per cent from May 5, 1992

FT LONDON INTERBANK FIXING

(11.00 a.m. July 30)	3 months US dollars		6 months US Dollars	
	bid 3⅛	offer 3¼	bid 3⅜	offer 3½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

		Treasury Bills and Bonds	
Lunchtime			
Prime rate	[illegible]	[illegible]	4.76
Broker loan rate	[illegible]	[illegible]	5.73
Fed.funds	[illegible]	[illegible]	6.19
Fed.funds at intervention	[illegible]	[illegible]	6.68
		[illegible]	7.47

July 30	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.75
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

Jul 30	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Interbank Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Mkt Deps	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Company Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep. Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep. Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell): one-month 9⅞ per cent; three months 9⅝ per cent; Bank Bills (sell): one-month 9⅞ per cent; three months 9¹⁄₃₂ per cent; Treasury Bills: Average tender rate of discount 9.5161 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day July 31 1992. Agreed rates for period August 26 1992 to September 22 1992, Scheme I: 11.27 p.c. Schemes II & III: 11.46 p.c. Reference rate for period July 1 1992 to July 31, 1992, Scheme IV&V: 10.189 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10½ from July 1 1992. Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 9½ per cent; one-three months 9 per cent; three-six months 9 per cent; six-nine months 8½ per cent; nine-twelve months 8½ per cent; Under £100,000 7 per cent from May 6 1992. Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

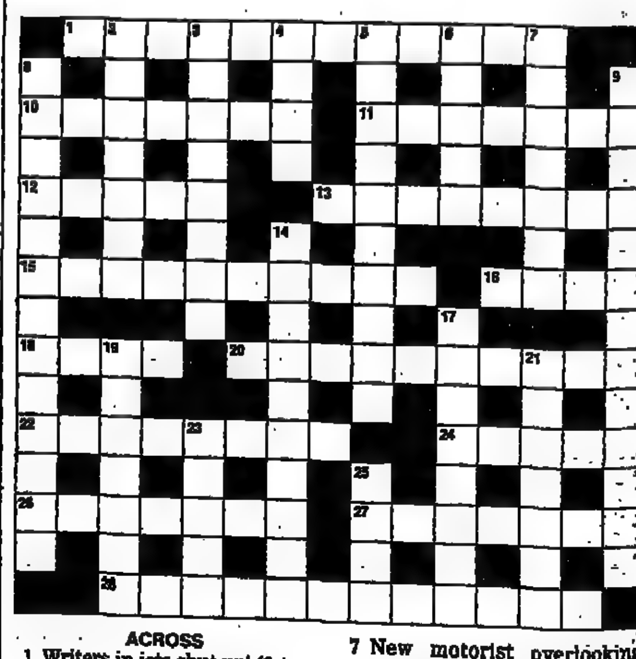
Money Market Trust Funds

Money Market Bank Accounts

	Gross	Net	CAR	Int Cr
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CROSSWORD

No.7,913 Set by GRIFFIN



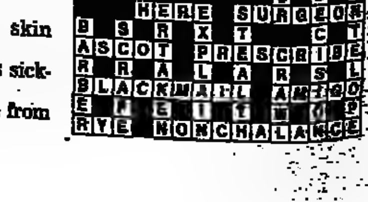
ACROSS

1 Writers in jets shut up! (8,4)
10 Figure aged CO's stupid to point (7)
11 Short of work experience (7)
12 Liquid paint is unsuitable (5)
13 Results in each half slotting into position (8)
15 Sponsors drop agents indiscriminately (10)
16 Many stop after repair (4)
18 Border on a bath back (4)
20 Dialect of eccentric valuer can rile at first (10)
22 Hold back man on condition one intervenes (8)
24 Catch on, introducing some music (5)
26 Tell deserter running near to go without (7)
27 One entering wine company's covered entrance (7)
28 Raining or not, one of its occupants will pop out (7,5)

DOWN

2 Fruit supplier made love to cleaner in street! (7)
3 Near agreement, stands to get bedtime drink (8)
4 Name expert covering skin trouble (4)
5 Sage in a nut mixture is sickening (10)
6 Something you get down from (5)
7 New motorist overlooking throttle is uncommon (7)
8 I did change man's faulty calculator (6,7)
9 Recompense for thoughtfulness (13)
14 It's the new rings, just for this particular birthday (10)
17 Car noise ruined suggested plan (8)
19 Way to remove cap of a French prison officer (7)
21 Loaned pound is going round getting seeds (7)
23 A sailor stands holding Italian leader's headdress (5)
25 Knocks up box (4)

Solution to Puzzle No.7,912



WORLD STOCK MARKETS

FRANCE (continued) | GERMANY (continued) | NETHERLANDS (continued) | SWEDEN (continued) | SWITZERLAND | NORWAY | SPAIN | SOUTH AFRICA | SWEDEN | ITALY | DENMARK | FINLAND | AUSTRIA | BELGIUM/LUXEMBOURG | JAPAN | AUSTRALIA | HONG KONG | MALAYSIA | SINGAPORE

[illegible]

CANADA

TORONTO

3:00 pm prices July 30

[illegible]

MONTREAL

3:00 pm prices July 30

[illegible]

INDICES

NEW YORK

DOW JONES	Jul 29	Jul 28	Jul 27	Jul 24	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3379.19	3334.07	3282.20	3285.71	3413.21 (1/6)	3172.41 (2/3)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	101.97	101.85	101.65	100.54	101.93 (29/7)	98.41 (20/5)	101.93 (29/7/92)	54.99 (1/10/81)
Transport	1309.97	1295.03	1276.85	1273.19	1467.68 (20/2)	1269.74 (22/7)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	221.45	222.08	219.20	218.52	225.59 (9/1)	200.74 (8/4)	236.23 (2/1/92)	10.50 (8/4/32)

Day's High 3399.72 (3346.69) Low 3345.15 (3277.61)

STANDARD AND POOR'S	Jul 29	Jul 28	Jul 27	Jul 24	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	422.23	417.52	411.56	411.60	422.23 (29/7)	394.50 (8/4)	422.23 (29/7/92)	4.40 (1/6/32)
Industrials	495.70	489.89	482.89	482.94	499.27 (15/1)	470.91 (8/4)	499.27 (15/1/92)	3.62 (21/6/32)
Financial	36.48	36.16	35.48	35.47	36.65 (10/7)	32.40 (3/4)	36.65 (10/7/92)	8.64 (1/10/74)
NYSE Composite	231.95	229.54	226.50	226.48	231.95 (29/7)	217.92 (8/4)	231.95 (29/7/92)	4.46 (25/4/42)
Amex Mkt. Value	385.94	384.55	382.36	382.53	418.99 (12/2)	374.04 (26/6)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	577.49	571.15	564.73	565.61	644.92 (12/2)	547.84 (26/6)	644.92 (12/2/92)	54.87 (31/10/72)

	Jul 24	Jul 17	Jul 10	year ago (approx.)
Dow Industrial Div. Yield	3.17	3.13	3.13	3.10

	Jul 22	Jul 15	Jul 8	year ago (approx.)
S & P Industrial div. yield	2.46	2.34	2.48	2.77
S & P Indl. P/E ratio	28.50	28.95	28.46	29.02

NEW YORK ACTIVE STOCKS

TRADING ACTIVITY

[illegible]

CANADA

TORONTO	Jul 29	Jul 28	Jul 27	Jul 24	1992 HIGH	1992 LOW
Metals & Minerals	[illegible]	3053.43	3070.65	3182.00	3238.87 (26/1)	2828.26 (8/4)
Composite	[illegible]	3411.58	3396.46	3400.87	3666.00 (16/1)	3318.10 (8/4)
MONTREAL Portfolio	[illegible]	1796.84	1791.45	1795.91	1937.39 (16/1)	1727.04 (8/4)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10 and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation (c) Closed. (u) Unavailable.

[illegible]

M.S. Capital Intl (1/1/70) (5)	491.1*	490.5	487.8
Euro Top-100 (26/6/90)	854.22	860.05	847.08

**Saturday July 25 Taiwan Weighted Price 4018.85, Korea Comp Ex [illegible]
& Subject to official recalculation
Base values of all indices are 100 except: Austria Traded, BEL20, HEX [illegible] and DAX – 1 000, JSE Gold – 255.7, JSE 25 Industrials – 264.3 and [illegible] Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Thursday 30 July 1992

	Stocks Traded	Closing Prices	Change on day
Meiji Milk Prod	5.5m	466	+39
Okamoto Inds	4.9m	1,030	+10
Toshiba Corp	3.4m	621	+3
Mochida Pharm	2.8m	3,100	+20
Clarion	2.5m	455	+24
Hitachi	2.3m	716	+8
Mitsubishi Heavy	2.1m	488	-2
Sato Kogyo Co	2.0m	610	+30
Showa Sangyo	2.0m	480	+8
Toray Ind	1.8m	594	-7

3:00 pm prices July 30

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Quote Close	Ch'ge Prev. Close
15⅝	11⅞	AAR Corp x	0.48	3.9	19	254	12⅝	12½	12⅜	-⅛
26	18	A L Labs A	0.18	0.9	79	577	19¾	d18	19¼	+1¼
68¾	52⅝	AMP Inc x	1.52	2.8	21	1980	54½	54	54¼	-½
80¼	60⅞	AMR				244439	66⅝	65⅞	66⅜	+1
2¼	1⅜	ARX			2	2	1⅝	1⅝	1⅝	
53½	38¼	ASA	2.00	5.0	26	369	40⅛	39⅝	40	+½
34¼	26⅛	Abbott Lab	0.60	2.0	21	8615	30⅞	30½	30¼	-½
13⅞	12	Abitibi Pr	0.50	3.7	7	21	13⅛	13¼	13⅛	+¼
11⅝	10⅛	ACM Gvt In x	0.96	8.6		84	11⅛	11¼	11¼	
10⅝	9⅛	ACM GvOpp	0.94	9.6		75	9⅞	9½	9⅝	
9½	8½	ACM Gvt Sp	0.82	8.8		608	9⅛	9¼	9⅜	
11¼	10¼	ACM Gvt Se	0.96	8.7		322	11	10⅞	11	+⅛
10	8⅝	ACM Man	0.98	10.2		109	9¾	9⅝	9⅝	-⅛
12⅞	10⅝	ACM Managd	1.21	10.9		177	11¼	11⅛	11⅛	-⅛
11⅞	4¼	Acme Cleve	0.40	5.8	13	40	6⅞	6¾	6⅞	
6¼	4⅜	Acme Elect			4	12	4¼	4⅝	4⅝	
33¼	16½	Acuson			12	999	18⅞	18½	18¾	-¼
19½	16⅛	Adams Expr	1.63	8.6	0	66	19	18⅞	18⅞	-⅛
49⅛	26½	Ad Micro	3.00	8.9		61	33¼	33¼	33¼	-⅛
21½	7½	Ad Micro P	3.00	34.8		33971	8⅝	8½	8⅝	
9⅛	5	Advest Grp	0.16	2.9	78	224	5½	5½	5½	
37⅛	33	Aegon ADR	1.68	4.5	6	46	37	36¼	37	

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NYSE COMPOSITE PRICES

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Price data supplied by Telekurs.

NASDAQ NATIONAL MARKET

3:00 pm prices July 30

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AMEX COMPOSITE PRICES

3:00 pm prices July 30

AMERICA

Dow eases in spite of declining bond yields

Wall Street

US EQUITIES traded in a tight range as Wall Street shrugged off a mixed bag of economic news and held its ground in spite of a declining domestic bond market and lower stock markets in Europe, *writes Karen Zagor in New York.*

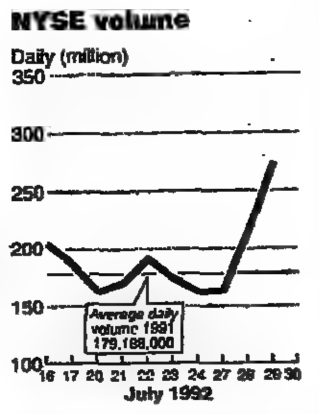
At 1 pm, the Dow Jones Industrial Average was 2.70 lower at 3,376.90 after surging more than 96 points in the first two days this week. The Standard & Poor's 500, which closed at record levels on Tuesday, edged 0.56 lower to 421.67, while the Nasdaq composite was off 0.83 to 576.88.

Stock market losses were modest compared with the substantial gains this week. Equities held their ground in spite of a declining bond market, where the benchmark 30-year issue eased ⅜ to 106¼ to yield 7.465 per cent at midsession.

There was little reaction to economic news, which included a larger-than-expected drop in unemployment claims for the week ended July 18, a surprisingly strong improvement in new home sales for July and a unexpectedly low reading for second quarter Gross Domestic Product.

Shares in Equimark soared in NYSE trading after the Pennsylvania commercial banking group said it had agreed to be acquired by Integra Financial through a $296m stock swap.

NYSE volume



Equimark's stock was quoted at $6⅞, up $1⅛, while shares in Integra fell $2 to $36½ in Nasdaq trading.

ICI ADRs climbed $5⅝ to $89⅛. The UK chemical company reported a 33 per cent decline in second quarter pre-tax earnings and said it might spin off its bioscience division.

Among other earnings-related share movements, Alliant Techsystems tumbled $2⅝ to $20¼ on the back of first quarter earnings from continuing operations of 59 cents a share down from $1.58 a year earlier.

Shares in UAL, parent of United Airlines, firmed $2½ to $113 in spite of the company's second quarter loss of $3.94 a share compared with earnings of $2.23 a year earlier. Also in the airline sector, AMR, parent of American Airlines, gained $⅜ to $66 and Delta Airlines rose $¼ to $55¼.

A number of blue chip issues were prominent in big board trading including American Express, off $¼ to $23, Boeing, up $¼ to $39⅛, PepsiCo, down $⅝ to $36⅞ and Coca-Cola, $⅜ lower at $41½.

Telecommunication and technology stocks dominated Nasdaq trading. McCaw Cellular eased $⅜ to $26¾, MCI Communications added $¼ to $33⅞, Apple Computer was unchanged at $47⅛ and Intel rose $¼ to $59.

Canada

TORONTO was easier at midsession. The TSE 300 index fell 7.3 to 3,417.3 in volume of 11.5m shares valued at C$110.8m. Declines outstripped advances by 191 to 155 with 231 issues unchanged.

PWA Corp recouped some of this week's losses, gaining 20 cents to C$2.28.

Second quarter results revive Mexican equities

But the market could remain vulnerable until the US presidential race is over, says **Damian Fraser**

Mexico's stock market has finally received the good news it needed. Second quarter results were better than analysts' expectations, and the market index reached 1,550 by mid-morning yesterday, 5.7 per cent up from Monday's low.

The results themselves were uneven, and judged good mainly by those who had feared the worst. Telefonos de Mexico (Telmex), the telephone monopoly that accounts for about 30 per cent of the index, reported net profits of $1.16bn in the first half, a 5.4 per cent increase on the same period last year.

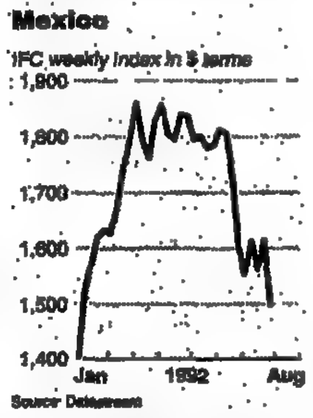
If the non-recurring losses are excluded, however, net profits would have risen by 18 per cent, according to the company's finance director. Fears that Telmex was going to report very heavy foreign exchange losses turned out to be unfounded. In the event, the group lost just $70m in the second quarter on foreign exchange.

Many favourite companies of foreign investors repaid the faith shown in them. Televisa, ICA, and Grupo Carso announced rapid earnings growth that appears to justify the above-average multiples on which they trade. And although the large industrial conglomerates – Alfa, Vitro and Cydsa – produced flat or reduced earnings, the bad news was already discounted, and in most cases their share prices rose after the results were published.

The past days' relative calm contrasts sharply with last week, when the market fell 9 per cent. While June's 15.5 per cent drop was triggered by the then prevailing popularity of Mr Ross Perot in the US presidential stakes, an over-supply of new issues and rising interest rates, July's fall was related more to concern about specific companies.

The market was knocked off balance by Cemex's acquisition of Spain's largest cement companies, Valenciana and Sanson, announced during the first two weeks of the month. Many foreign investors felt cheated, as Cemex failed to mention such plans when selling $608m of new equity earlier in the year.

Mexico



Investors had bought Cemex because its earnings were geared to Mexico's fast-growing economy, so they sold as soon as it became clear that some 40 per cent of sales were going to come from Spain. Cemex's share price had fallen more than 25 per cent this month, until the recent rally.

Rumours that newly formed financial groups had suffered losses on government bonds they had bought added to the jitters. Early reports put losses at more than $1bn, and some feared that brokerages would sell equity holdings to make up losses. In the event the government put the accounting losses at $235m for banks and brokerages, about half what many analysts had expected.

With first-half results out of the way, some analysts are predicting another surge in prices. The stock market is cheap compared to a few months ago, with Telmex selling at 8.5 times this year's earnings, according to Mr Jorge Suarez, head of Latin American equity research at Nomura Research.

The government appears to be winning against inflation, which could pave the way for lower interest rates. Inflation was just 0.3 per cent in the first two weeks of July. Negotiations on the North American free trade agreement are likely to be concluded soon, perhaps early next week, giving a further fillip to the market.

Equities, however, are not out of the woods yet. For all the optimism over second quarter results, consumer goods companies - such as VideoVisa, Femsa, Maseca, and Kimberly Clark – fared rather poorly, reflecting the slow growth in personal incomes, says Mr Pablo Riberoll at Baring Research.

Above all, the political and economic situation in the US is likely to hang over the market until the US presidential election. "Now more than ever," warns one cautious broker. "It is important to select companies rather than broad themes."

EUROPE

Bourses fall on Schlesinger comments

BOURSES headed lower as cautious hopes of lower German interest rates were dashed by comments from the Bundesbank president, *writes Our Markets Staff.*

FT-SE Eurotrack 100 - Jul 30

Hourly changes							
Open	10.30am	11 am	12 pm	1 pm	2 pm	3 pm	close
1071.87	1073.12	1072.91	1071.42	1069.93	1068.92	1070.63	1068.92

Day's High 1073.73 Day's Low 1067.26

Jul 29	Jul 28	Jul 27	Jul 24	Jul 23
1077.60	1058.28	1056.98	1052.53	1059.53

Base value 1000 (26/10/90)

FRANKFURT weakened as Allianz came under renewed pressure following a negative analysts' meeting on Wednesday. The insurer saw the value of its shares tumble after Deutsche Bank issued a sell note and reduced its 1992 forecast of Earnings Per Share to DM28 from DM45.50. Allianz closed down DM79 or 4 per cent at DM1,872.

Comments from Mr Helmut Schlesinger, the Bundesbank president, in which he reaffirmed that there would be no cut in interest rates this year, added to market gloom. The DAX index lost 4.16 to 1,623.99 while, at midsession, the FAZ was 0.03 weaker at 643.02. Turnover fell to DM5.1bn from DM5.9bn.

Some analysts believe that Allianz may fall to around DM1,850. The market has taken a view that the next two years will be difficult for the insurer, since losses from its east German operations likely to continue. Increased competition from other European insurers as the sector is further liberalised is also likely to hurt its profit margins.

Car makers enjoyed a better day as BMW announced a 10 per cent increase in first half group net profit. Its shares added DM3 to DM543. Volkswagen was DM1 stronger at DM359.50.

Lufthansa slipped DM3.40 to DM108.50 on its plans to reduce services between Germany and the US.

MILAN fell on selling by domestic investors, perturbed by the implications of the resignation of the foreign minister, Mr Vicenzo Scotti. Dealers said there were fears that the crisis within the Christian Democrat party could topple the coalition government. The Comit index fell 3.41 to 397.73 in turnover estimated at L100bn after L76.9bn.

News that a Turin broker was unable to meet his commitments and that settlement of the account, due today, was likely to be postponed as a result, also weighed on the market. Potentially good news, such as a 3.25 per cent increase in cement prices, was ignored.

Fiat fell L71 to L4,380 while Montedison dropped L55 to L1,105. Italcementi fell L50 to L9,600 and its savings shares were suspended for excessive losses.

Acqua Marcia was suspended by Consob after the company said at a shareholders' meeting on Wednesday that it is planning a capital increase for at least L139bn to avoid bankruptcy.

PARIS followed the bond market lower, weakened by worries about the referendum on Maastricht and the prospect of high German interest rates for the rest of the year. The CAC-40 index lost 19.06 or 1.1 per cent to 1,782.57 in thin turnover of FFr1.7bn.

Euro Disney continued to fall, losing FFr2.65 to FFr86. Other losers included Saint-Gobain, down FFr19 to FFr545, while pessimism surrounding Allianz, the German insurer, weighed on UAP, down FFr14.40 at FFr397.50, and Axa, down FFr36 to FFr809.

But Crédit Local outperformed the market, adding FFr4.10 to FFr249.50 in good volume of 171,420 shares.

AMSTERDAM began firmly but weakened just before the close after the central bank increased its special advance rate. The CBS Tendency index lost 0.5 to 117.

DSM cheered the market with its first-half results and said that it would maintain its interim dividend at Fl 2.65. Its shares advanced Fl 4.60 or 4.5 per cent to Fl 105. Akzo benefited from the results, gaining Fl 3 to Fl 144. It publishes first half figures next Tuesday.

BRUSSELS rose on news that Solvay may issue American Depository Receipts. The Bel-20 index advanced 4.14 to 1,141.15 in turnover of BFr554m.

The chemical group reported lower first half earnings but forecast that full year results will be in line with 1991 figures. Its shares rose BFr250 or 2.1 per cent to BFr12,325.

ZURICH drifted lower on profit-taking. The SMI index shed 6.6 to 1,806.1. Chemical stocks were stronger with Ciba-Geigy bearers adding SFr3 to SFr653 and Sandoz bearers up SFr10 to SFr2,870.

OSLO was led higher by Hafslund Nycomed which reported better than expected first half results late on Wednesday. The all-share index rose 1.78 to 387.99 in turnover of NKr167m.

Hafslund A shares added NKr2.5 to NKr157.

VIENNA closed slightly higher. The ATX index gained 1.21 to 792.16 after an intraday high of 805.94. Austrian Airlines lost Sch140, or 8 per cent, to Sch1,570 after the group said that it might have to cut the 1992 dividend.

ASIA PACIFIC

Government's plans lift Nikkei by 3 per cent

Tokyo

THE Japanese government's decision to bring forward its plans to stimulate the economy, together with Wednesday's rise in overseas markets, lifted sentiment in Tokyo stocks yesterday, and the Nikkei average rallied 3 per cent on short-covering and arbitrage-linked buying, *writes Emiko Terazono in Tokyo.*

The 225-issue average, which registered a six-year low the previous day, rebounded 459.65 to 15,555.60. The index opened at the day's low of 15,152.35 and rose as high as 15,586.31 in the afternoon.

Volume, however, decreased to 220m shares from 259m. Traders said institutions remained on the sidelines and activity centred on buy-backs of shares sold on Wednesday. Rises outnumbered declines by 656 to 319, with 125 issues unchanged. The Topix index of all first section stocks recovered 22.55 to 1,193.48, but in London the ISE/Nikkei 50 index eased a slight 0.67 to 946.85.

The government's plan to implement its economic stimulus package in August, one month early, encouraged the market. Plans to bolster property prices by government purchases of land for public works projects sparked buying in bank and real estate issues.

Traders were relieved that the Nikkei found support at the 15,000 level. However, Mr Takatoshi Okuyama at Daiwa Securities cautioned that the rise was technical, and that the market had yet to hit the bottom. "We have not seen real demand from investors coming in," he said.

Banks gained ground on short-covering as the market hoped that the government's efforts to stop asset deflation would lighten the burden of bad loans at banks. Industrial Bank of Japan advanced Y80 to Y1,710 and Mitsubishi Bank Y100 to Y1,740.

Property shares also improved, Daikyo moving forward Y21 to Y520 and Sato Kogyo Y30 to Y610.

Speculative theme stocks were actively traded. Meiji Milk Products continued to head the active stocks list and regained Y29 to Y660, while Okamoto Industries put on Y10 to Y1,030.

High-technology blue chips, which have been sold on fears of lower earnings, showed only a slightly firmer tendency as some investors remained cautious. Toshiba edged ahead Y3 to Y631 and Sony Y10 to Y3,810, but NEC dipped Y3 to Y762 and Fujitsu Y3 to Y567 on continuing fears about profits.

In Osaka, the OSE average picked up 226.13 to 17,362.52 in volume of 13.7m shares.

Roundup

MOST Pacific Rim markets followed Tokyo higher.

HONG KONG reversed early gains after Sino-British talks on the financing of the new airport failed. The Hang Seng index finished 27.46 down at 5,829.83 but after an intraday low of 5,811.21. Turnover came to HK$2.1bn.

Property issues were moderately lower, with Hong Kong Land off 20 cents at HK$13.90.

AUSTRALIA gained ground in spite of the release of some disappointing economic data showing a wider than expected balance of payments deficit. The All Ordinaries index finished 8.7 ahead at 1,621.0 following turnover of A$288.2m.

North Flinders Mines rose 40 cents, or some 10 per cent, to A$4.25 on news that reserves at one of its sites were double previous estimates.

NEW ZEALAND was led lower by Fletcher Challenge, which saw its shares lose 32 cents to NZ$14.31 on rumours of a rights issue. The NZSE-40 index slipped 14.31 to 1,514.17 in turnover of NZ$29.86m.

SINGAPORE advanced amid foreign institutional demand for selected blue chips. The Straits Times Industrial index climbed 19.43, or 1.4 per cent, to 1,449.02.

Banks rose on expectations of good half-year results being reported shortly.

KARACHI continued its downward slide on the last trading day of the week, *writes Farhan Bokhari.*

The KSE-100 index fell 29.37 to 1,311.30, now down 6.4 per cent since last Sunday. Concern about profitability in the textile sector and a setback in the government's plans to sell off Pakistan's largest gas company weighed on the market.

TAIWAN extended early gains to finish sharply higher. The weighted index closed 82.21 up at 4,029.53 in moderate turnover of T$21.55bn.

MANILA rose afresh in active trading. The composite index added 10.41 at 1,495.72 in combined turnover of 227m pesos. PLDT gained 30 pesos to 1,100 pesos.

KUALA LUMPUR followed other markets higher. The composite index put on 7.85 to 598.56. Rises led falls by 125 to 110 after 53.5m share volume.

BOMBAY's BSE index dropped 56.42, or 2.1 per cent, to 2,698.83 on the last day of the account on fears of high carry-over charges.

SOUTH AFRICA

JOHANNESBURG closed off earlier highs ahead of President F.W. De Klerk's state of the nation address. The overall index gained 17 to 3,433 while industrials were up 31 at 4,230. Golds fell to close 17 lower at 1,077.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie *in conjunction with the Institute of Actuaries and the Faculty of Actuaries*

NATIONAL AND REGIONAL MARKETS	WEDNESDAY JULY 29 1992								TUESDAY JULY 28 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (68)	141.85	+0.4	109.71	114.69	109.45	126.81	+0.4	4.50	141.29	108.82	113.98	108.22	126.26	153.68	140.94	148.41
Austria (19)	154.86	+1.6	119.76	125.20	119.48	119.07	+1.8	2.46	152.40	117.16	122.93	115.79	116.85	186.70	150.56	174.88
Belgium (42)	146.58	+0.2	113.37	118.50	113.09	110.25	+0.4	5.58	146.26	112.44	117.96	112.08	109.83	152.27	135.87	128.98
Canada (114)	127.94	+0.4	98.95	103.43	98.71	109.97	+0.3	3.19	127.39	97.94	102.75	97.62	109.59	142.12	124.32	139.78
Denmark (35)	239.81	−0.2	185.46	193.88	185.02	185.91	+0.3	1.80	240.24	184.69	193.77	184.10	185.42	273.94	226.81	254.03
Finland (15)	70.58	+0.2	54.59	57.07	54.46	59.94	+0.3	2.36	70.47	54.18	56.84	54.00	59.76	89.60	70.36	99.05
France (104)	159.60	+1.0	123.43	129.03	123.13	125.49	+1.6	3.74	158.08	121.53	127.50	121.13	123.49	168.75	148.06	129.44
Germany (64)	120.17	−0.4	92.94	97.17	92.72	92.72	+0.3	2.47	120.62	92.73	97.30	92.43	92.43	129.69	114.87	107.43
Hong Kong (54)	243.77	+1.0	188.53	197.08	188.09	242.05	+1.0	3.39	241.32	185.52	194.64	184.94	239.70	259.55	178.36	167.78
Ireland (16)	158.26	+0.6	122.40	127.95	122.10	123.85	+1.0	4.26	157.26	120.90	126.84	120.51	122.59	173.71	151.78	156.38
Italy (78)	62.06	+0.0	48.00	50.18	47.88	51.96	+0.5	4.02	62.07	47.72	50.07	47.57	51.68	80.86	61.30	74.93
Japan (473)	90.27	−1.7	69.81	72.98	69.65	72.98	−1.4	1.17	91.79	70.57	74.04	70.35	74.04	140.65	88.70	132.66
Malaysia (69)	239.20	+0.5	185.00	193.39	184.55	230.41	+0.5	2.72	238.01	182.98	191.97	182.39	229.17	250.47	212.49	226.35
Mexico (18)	1368.15	+5.0	1058.12	1106.12	1055.57	4658.88	+5.0	1.29	1303.41	1002.03	1051.30	998.84	4438.40	1789.77	1303.41	1127.87
Netherland (25)	161.34	+1.0	124.78	130.44	124.48	123.23	+1.7	4.55	159.72	122.79	128.83	122.40	121.19	167.29	147.88	139.18
New Zealand (14)	45.42	−0.6	35.13	36.72	35.04	44.23	−0.5	5.14	45.69	35.13	36.86	35.02	44.43	48.52	42.01	48.22
Norway (23)	170.84	−0.5	132.12	138.12	131.81	135.01	−0.1	1.87	171.72	132.02	138.51	131.60	135.13	192.95	161.26	197.95
Singapore (38)	203.76	+0.8	157.80	164.75	157.22	151.43	+0.7	2.19	202.12	155.38	163.03	154.89	150.33	229.63	192.76	197.17
South Africa (61)	200.72	+1.8	155.24	162.28	154.85	171.39	+1.9	3.01	197.22	151.62	159.07	151.13	168.22	263.60	194.69	244.51
Spain (49)	139.77	+2.1	108.10	113.00	107.83	99.30	+2.3	5.89	136.91	105.25	110.43	104.92	97.55	161.72	136.49	146.87
Sweden (29)	189.44	+1.0	146.51	153.16	146.16	150.74	+1.4	2.70	187.52	144.16	151.25	143.71	148.59	200.28	173.09	191.38
Switzerland (62)	112.38	+0.4	86.91	90.86	86.71	92.03	+1.7	2.33	111.94	86.06	90.29	85.79	90.46	113.88	95.99	93.04
United Kingdom (228)	184.26	+1.3	142.51	148.96	142.15	142.51	+1.8	5.22	181.07	139.82	146.66	139.36	139.82	200.07	165.85	174.13
USA (522)	171.94	+1.1	132.98	139.02	132.67	171.94	+1.1	2.91	170.11	130.78	137.22	130.37	170.11	171.94	160.92	157.15
Europe (789)	148.27	+0.8	114.67	119.88	114.40	114.93	+1.5	4.21	147.04	113.04	118.60	112.69	113.26	156.86	139.31	137.13
Nordic (102)	176.25	+0.5	136.31	142.49	135.98	133.79	+0.9	2.06	175.44	134.87	141.50	134.44	132.51	188.52	169.29	187.05
Pacific Basin (717)	97.29	−1.3	75.24	78.66	75.06	79.63	−1.1	1.55	98.58	75.79	79.51	75.55	80.52	141.97	94.40	133.92
Euro−Pacific (1506)	117.91	−0.2	91.19	95.32	90.96	94.24	+0.2	2.90	118.18	90.85	95.31	90.55	94.06	145.21	113.60	135.53
North America (636)	169.19	+1.0	130.85	136.80	130.56	167.72	+1.0	2.92	167.43	128.72	135.06	128.33	165.99	168.69	156.70	155.99
Europe Ex. UK (561)	126.49	+0.5	97.82	102.28	97.61	99.02	+1.2	3.48	125.87	96.76	101.54	96.48	97.89	132.96	121.81	115.17
Pacific Ex. Japan (244)	166.56	+0.6	128.81	134.67	128.51	148.65	+0.7	3.61	165.48	127.22	133.50	126.80	147.72	175.31	149.00	146.41
World Ex. US (1699)	119.92	−0.1	92.74	96.96	92.52	95.70	+0.3	2.90	120.06	92.90	96.65	92.01	95.44	146.91	118.45	137.41
World Ex. UK (1993)	132.03	+0.3	102.11	106.75	101.87	117.31	+0.4	2.60	131.68	101.24	106.22	100.92	116.80	150.58	127.21	140.08
World Ex. So. Af. (2160)	136.15	+0.4	105.30	110.08	105.06	119.17	+0.6	2.90	135.66	104.29	109.43	103.97	118.46	153.06	130.04	142.37
World Ex. Japan (1748)	162.12	+1.0	125.39	131.09	125.10	146.55	+1.2	3.41	160.54	123.42	129.50	123.04	144.80	165.40	153.20	149.89
The World Index (2221)	136.54	+0.4	105.60	110.39	105.35	119.65	+0.6	2.90	136.02	104.57	109.71	104.24	118.92	153.70	130.66	143.04

Constituent change with effect 31/7/92: Addition: SCA A (Sweden). Latest prices were unavailable for this edition.

FINANCIAL TIMES SURVEY

POWER GENERATING EQUIPMENT

SECTION III

Friday July 31 1992

A traditional industry that has for decades been the backbone of the west's heavy equipment sector is responding impressively to a variety of challenges which have transformed its manufacturing base. Andrew Baxter reports

A stronger momentum

THROUGHOUT the past two years of recession in many world markets for capital goods, the power generating equipment business has maintained a healthy momentum, fuelled by factors that promise to preserve its role as one of the most durable sectors of engineering in the 1990s.

Events such as the privatisation of UK electricity supply have given the power equipment industry a short, sharp shock but in general the external influences on it are being felt at a more gradual pace.

Some are double edged – rising pressure from environmentalists is one factor underpinning growth forecasts for combined cycle gas turbine generation, but it has also reduced nuclear power plant development to a trickle outside Japan, Taiwan and Korea.

And some market forces suggesting faster growth are balanced by trends pointing to slower development. The availability of gas as a power source, and means to transport it, lend further support to the development of natural gas-fired combined cycle, at least for the next 10 years, but could be offset by factors such as political influences over the pace of privatisation among big utility customers.

Whether viewed on a regional or technology basis, the balance of power in the global market is changing. General Electric of the US, the world's biggest supplier, sees worldwide demand growing at an average annual rate of 2.8 per cent until the year 2001, representing 925,000MW of anticipated orders.

Within this figure, the pattern of demand is altering. GE expects the US, traditionally the biggest market, to remain strong, with about 113,000GW of new capacity to be installed in the next 10 years or 20 per cent of the world total. Westinghouse, the world's second biggest supplier, forecasts annual compound growth of 2.3 per cent in the US market, and a comparable figure for western Europe.

But, according to all the big suppliers, the Asia/Pacific region will be a key growth market over the next five years, accounting for 29 per cent of the world's capacity additions, says GE. Siemens, the big German supplier, expects the Asian market to account for 37 per cent of expected world demand over the next decade.

Both these projections exclude India, which GE sees as a major developing market with an emerging middle class of nearly 200m people driving new capacity demands. Elsewhere, the US supplier sees an "exciting" but uncertain market outlook for eastern Europe, a view on which Westinghouse and the other suppliers concur.

Similar changes in the technology mix are predicted. While GE foresees nuclear power dropping from 10 per cent of total 1987-91 orders to 6 per cent from 1996-2001, combined cycle and gas turbine orders will collectively rise from 39 per cent in 1987-91 to 43 per cent in 1992-95, slipping to 38 per cent in 1996-2001.

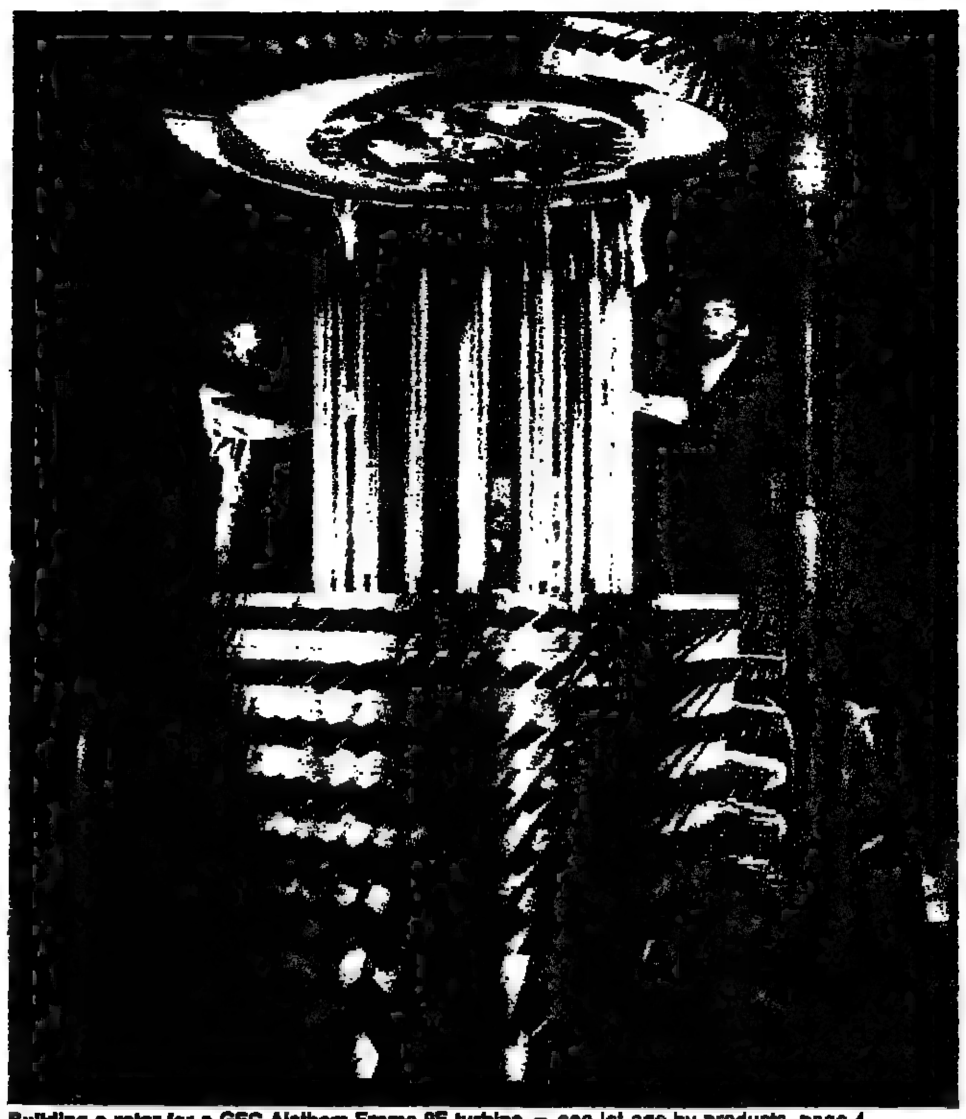
The latter figure, however, is based on total orders of 636,000MW, nearly twice as much as the 336,000MW ordered between 1987 and 1991. Mr David Genever-Watling, senior vice president at GE Industrial and Power Systems, notes that the company has boosted its gas turbine and combined cycle forecast by 15 per cent from last year, due partly to reduced worries about gas availability.

Within the total mix, it is important also to note the healthy forecasts being made for smaller-scale combined heat and power (CHP) equipment. A report this month by Frost & Sullivan, the international market research publisher, says environmental concerns in Europe are now starting to affect buying decisions for CHP equipment which has in the past been used mainly for cost-saving.

For the equipment suppliers the global environment requires a response that combines heavy spending on technology with corporate activity to ensure a competitive position in markets which vary in the degree of openness and fairness to suppliers, and where winning contracts is normally just the start of a very politically-charged process which extends through the supply chain to the cost of electricity.

The primary focus of the big manufacturers' R&D programmes is to achieve further improvements in gas turbine thermal efficiency, but the major progress made over the past decade has been replaced by an era of fine tuning. In combined cycle formation, gas turbines are achieving thermal efficiency of 55 per cent, and it could take a decade or more to reach 60 per cent.

By that time, the availability of gas as a fuel source for power could well be coming under question in many countries.



Building a rotor for a GEC Alsthom Frame 9E turbine – see jet-age by-products, page 4

But improved thermal efficiencies could hold the key to widespread commercial exploitation of Integrated Gas Combined Cycle (IGCC). This uses gasified coal as a fuel source for the gas turbine but, at 44-45 per cent efficiency, lags behind natural-gas combined cycle.

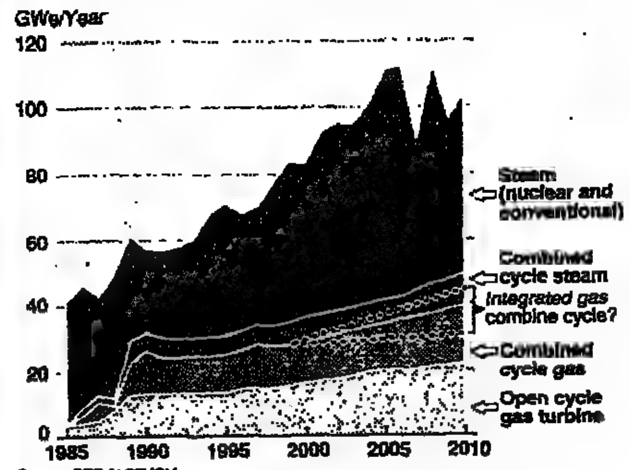
The corporate response takes a number of forms, but is in any case closely linked to technology trends. The European mega-mergers of the late 1980s, to form GEC Alsthom and Asea Brown Boveri, produced alliances that were both technologically powerful and broad in their geographic spread – and hence better able to handle the gradual relaxation of nationalist buying preferences in Europe.

Both aims have been fulfilled successfully, and the deals have gone some way to reducing the manufacturing overcapacity that still bedevils the European steam turbine market.

The second broad thrust is a continuing flow of licensing agreements, manufacturing deals and technology transfer agreements both between western companies alone and between western suppliers and their counterparts in fast-growing developing markets.

In the former category, the most significant deal since the late 1950s was announced last month, and saw Rolls-Royce of the UK agree to transfer its advanced aero-engine technology to Westinghouse for use in the US company's combustion turbine designs.

World growth & replacement market



Source: GEC ALSTHOM

Mr Frank Bakos, vice-president and general manager of Westinghouse's power generation business unit, says the company was looking for ways to extend its market presence, and recognised its relative lack of aero-engine technology as a technology shortfall. The deal, he says, is "part of a process of being competitive in each section of the market."

Observers at rival companies believe the deal will make the already existing Westinghouse-Mitsubishi grouping a stronger player in world power generation markets. Westinghouse's deal is with Rolls-Royce, but the US company will be able to sublicense the technology to Mitsubishi and Fiat, its other partner, if it believes it is appropriate.

Other deals have been designed to secure a more entrenched position in Asian markets, via local manufacturing or technology transfer, or to establish a foothold in eastern Europe. The announcement last year of a big power equipment joint venture between Siemens and Skoda Pilsen of Czechoslovakia was the most important single move in this direction.

But the future of the east European market is one of the big unresolved questions for the industry, which has been complaining recently about the lack of western finance available to support much-needed cleaner power generation.

A further problem, at least for the US suppliers, is the so-called Fortress Europe provisions of the European Community's Utilities Directive on public procurement. For Westinghouse, obtaining acceptable access to the EC market via Rolls-Royce was a further strategic reason for last month's deal, and the near-impossibility, in some circumstances, for importers to win business directly has also prompted GE's business alliances.

IN THIS SURVEY

POWER GENERATION EQUIPMENT 2

Frank Gray on the build-up of Asian power

Engines for faster economic development

THE reforms sweeping through developing Asia's state-dominated electricity supply industry are expected to spur demand for more western-supplied power equipment well into the next century.

The shakeup centres on the restructuring and commercialisation of largely inefficient state utilities and the entry into the electricity supply field of independent power producers to compete with national power companies. Hand-in-hand with this is an accelerated programme to cut electricity tariff subsidies and make such tariffs more commercial.

These reforms are being actively promoted by the World Bank, the Asian Development Bank and the various bilateral aid institutions, such as Japan's Overseas Economic Co-operation Fund. They stress that growing commercialisation of Asia's power sector will broaden the financial base of those countries most in need and will make it more possible for them to continue to build up their power programmes to fuel economic growth.

The ADB recently pointed out that developing Asia's electricity capacity will have to be increased by 300,000 MW in the 1990s if the region is to maintain its economic growth, now running at around six per cent a year. This would mean a doubling of existing capacity for a region comprising 3.1bn people, 58 per cent of the world's population. By comparison, the US has 600,000 MW of capacity, and its population is 240m.

Mr James Rockett, the ADB's senior energy specialist, recently said this would require a capital investment of about $501bn each year, all the more reason for spurring privatisation. The ADB had lent $9.2bn to the energy sector since 1969, and annual lending to the sector was now so large that this figure would be eclipsed in only a few years at current rates of lending.

The share of all Bank funds for the sector last year climbed by 10 percentage points to 36 per cent compared with 1990, Mr Rockett said. World Bank lending last year to the power sector stood at $992m, and its Asian energy loans this year were surging ahead and should easily surpass last year's.

The various reforms imply that private sector growth will come from thermal power stations, which can be put up relatively quickly by independent power companies, depending on size. There will be much thermal power growth under the long-range plans of state utilities as well.

Nuclear, particularly in the cash-rich Asian Far East, and hydro-electric capacity, notably in China and India, also will be expanded.

But these also are longer-term projects that must run the gamut of regulatory approvals. They are not private-sector friendly. The pro-privatisation legislative changes have been spearheaded by Pakistan, India, Malaysia, Indonesia, Philippines, Thailand, all of which are now pushing open their doors, to varying degrees, to independent power producers. For its part, China in recent years has contracted out to several Hong Kong companies, particularly Hopewell Holdings and New World Development Group, the construction of coal-fired power stations in Guangdong province.

Privatisation and big aid flows are attracting suppliers

Almost without exception, the reforming nations have announced plans to nearly double capacity by the end of the century. The challenge was underlined by India's Energy Minister, Mr Shri Kalp Nath Rai. He told a recent *Financial Times* electricity conference in Singapore that India needed to add 48,000 MW of capacity (it now has 69,000 MW) in the next five years, but only 31,000 could be afforded out of state funds. "The rest will have to come from the private sector."

The combination of big aid flows and the new ingredient of privatisation is prompting aggressive sales drives by the world's leading producers of turbines and boilers.

The usual modus operandi of such companies as Siemens/Kraftwerk Union of Germany, the European ABB group; the Anglo-French GEC/Alsthom, the American majors Westinghouse Electric and General Electric has been to establish joint ventures with regional companies, such as India's Bharat Heavy Electricals Ltd. (Siemens), for local manufacture of low- to medium-technology turbine equipment. This would ease pressure on foreign exchange.

This practice is now about to change, with big equipment suppliers now poised to start taking equity stakes in Asian private power projects. Mr. According to Andreas Kley, group executive manager for Siemens/KWU: "The trend towards non-utility power plants...has encouraged our group to augment our traditional role as a builder and now to participate actively as partner and investor in the planning and development of independent power plants."

The emerging consensus is that Asia's growth will focus on gas turbines and combined cycle, largely because of speed of installation and gas's emergence as the most environmentally friendly fuel for power plants. Mr D.W. Williamson, vice-president, GE Industrial and Power Systems, says the Asia-Pacific region will account for 29 per cent of the world's capacity additions. "Japan, Korea and Taiwan alone represent nearly 60,000 MW of new orders between now and 1996," he says. India is also a major market "where an emerging middle class of nearly 200m people is driving new load growth, which will require 26,000 MW of uncommitted capacity additions over the next decade".

He sees gas turbines and combined cycle as accounting for 45 per cent of global additions, with steam turbine plants holding at 35 per cent, and hydro and nuclear playing a more limited role.

Frank Gray is editor of Power in Asia.

Part of a 1,350 MW CCGT plant built in Turkey by Siemens' KWU of Germany

Steven Thomas on Europe's shifting policies

A continental patchwork

THE market for power generation equipment in Europe has been transformed in the past five years. The 1987 decision to privatise the UK electricity supply industry seems to have been one of the triggers for this change. Prior to this, the market was technologically and commercially stagnant, comprising a trickle of orders for coal and nuclear plant generally placed with long-standing suppliers. Now it appears highly dynamic, as five big industrial groupings scramble for orders for combined cycle gas turbines (CCGT).

The change is due to the availability of natural gas for power generation and the encouragement of competitive forces in the power generation sector. These were reinforced by a surge in electricity demand that accompanied the economic boom of the late 1980s, the prospect of the EC's Single Market, environmental concerns and the prospect of Eastern Europe becoming an important new market.

These changes hastened a long overdue shake up of the world power plant supply industry, reducing the world market to just five major players, the three European-based suppliers, ABB, Siemens and GEC-Alsthom and two US-Japanese groupings, GE-Hitachi-Toshiba and Westinghouse-Mitsubishi. Previously, the last two had played little role in Europe, but now perceive a chance to gain a toe-hold.

The changes have been most dramatic in the UK. Released from their obligations to nuclear power, to British coal and equipment suppliers, the generating companies have gone on a remarkable shopping spree. In the last three years, more plant has been bought than in the previous 15 years, despite little signs of conventional need for it. Firm commitments have been made for about 20 GW of CCGT plant (equivalent to about a third of total UK capacity) to enter service in the next five years. Most has already been ordered and each of the five world majors has won a share.

The wave of ordering had nothing to do with the usual process of analysing demand trends and ordering just enough of the most economical plant to fill any gap. The sole criterion was whether the proposed plant had a good chance of making money for its owner.

With equipment suppliers offering the plant on turnkey terms with strong performance guarantees, gas suppliers selling gas at attractive and stable prices and the distribution companies eager to sign up to take the output of the plant, the risks to the new generation companies were minimal. This, and the fact that they no longer had the pre-privatisation responsibility to operate the transmission grid, meant that few of the traditional utility skills of design and engineering were required. What was needed was good accountants and lawyers.

Interests other than the plant suppliers will have found the results less attractive. Not much of the British coal industry is likely to survive this stampede to gas, while the scope for any nuclear revival after the 1994 Government nuclear review may well have been pre-empted.

Much of the new gas-fired capacity is likely to generate at costs higher than the existing coal-fired plant that it will replace, but the contracts the CCGTs have with distributors mean that it will be the coal plant that has to go.

Ultimately, it will be the electricity consumers who will foot the bill for this over-indulgence. The new Office of Electricity Regulation is under pressure to find a way of halting the flow of orders and few now expect much activity in the next five to 10 years.

Whilst other countries in Europe seem to be following the UK's lead in reforming electricity supply, all is not what it seems.

In Southern Europe – Greece, Portugal and Italy – changes are occurring which will allow independent power producers to get into the market. However, the rationale is much more a matter of pragmatism than dogma. Here, there is still plenty of potential for demand growth, as well as a current shortage of plant. However, the mainly state owned utilities have long been hamstrung by a chronic shortage of capital and, in some cases, public opposition to new power station developments.

Allowing international companies to compete to build the required plants and encouraging industrial producers to build extra capacity are probably the only options open to them. Nevertheless, all the Southern European countries are contracted to receive large new volumes of gas, not always with a ready final market and the power plant suppliers can look forward to a reasonable market for CCGTs to burn this gas.

The countries of Northern Europe have shown much more ideological commitment to the idea of reform: the Netherlands, Norway and Sweden are at various stages in restructuring their electricity industries. However, these are relatively small, mature systems with little scope for demand growth, often based on cheap hydro-power and reliable nuclear plant. The resulting volume of orders for new plant is unlikely to cause too much excitement to the suppliers.

The countries of Eastern Europe, prompted by lending institutions such as the World Bank, are restructuring electricity supply to embody the free market principles enshrined in the new UK system. However, even allowing for the need to replace discredited nuclear power plants and polluting coal-fired plants, these markets may prove a disappointment.

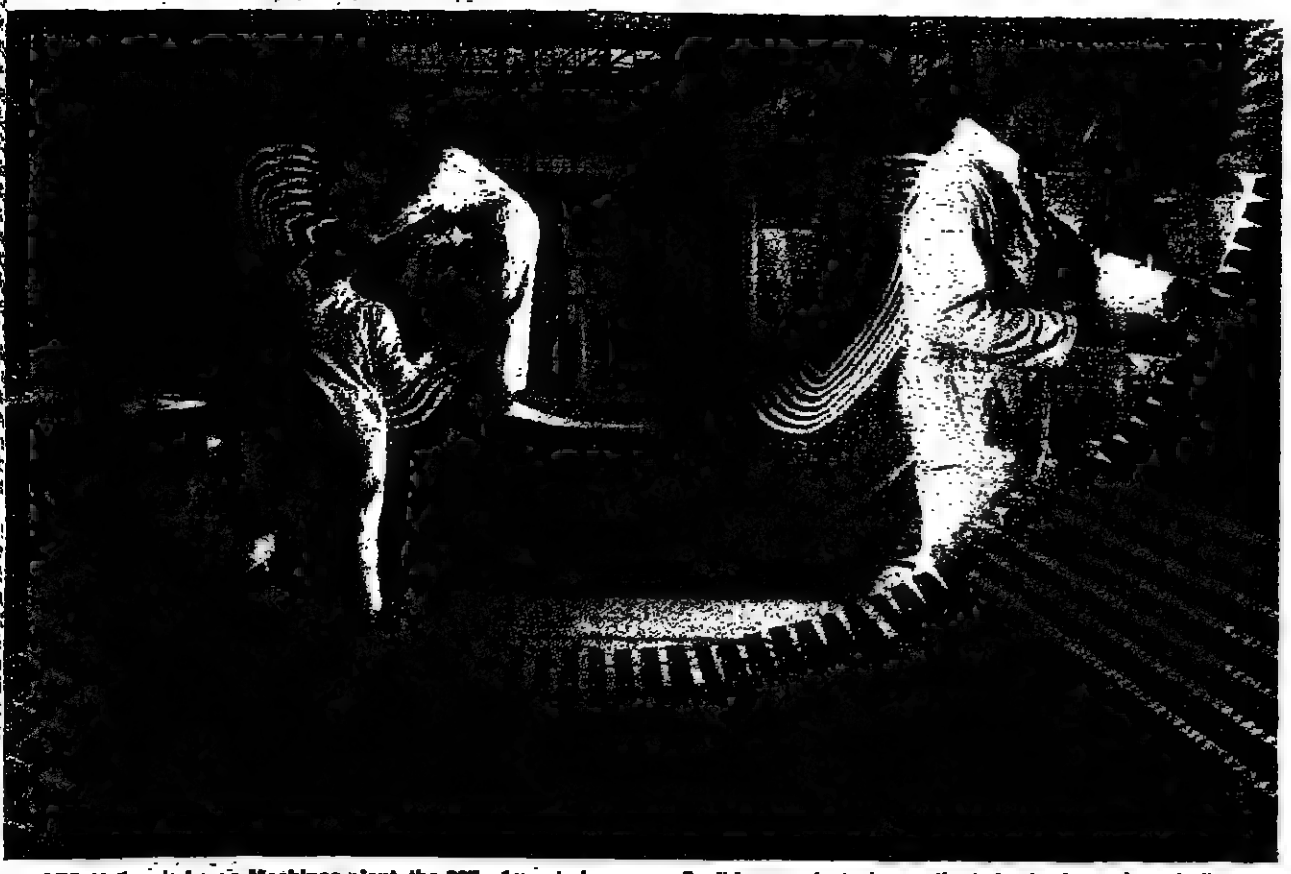
Economic recession and the introduction of more energy efficient processes are cutting deeply into electricity demand making the shut-down of the worst plant less painful. Investment capital is scarce and the first priority may be remedial measures to salvage as much as possible of the existing plant rather than building new stations.

The two largest national systems in Europe, those of France and Germany, are notable absentees from the ranks of the reformers. The European Commission may extract some marginal concessions under its Single Market provisions. However, it seems unlikely that the formidable utilities at the heart of these systems and their associated lobbies, nuclear in France and coal in Germany, will readily give up privileges such as the ability to choose where, when and what type of power plant is built.

The boom in plant ordering that has been seen in the UK is therefore unlikely to be repeated in the rest of Europe, not least because of the effects of the economic recession on electricity demand.

Nevertheless, even France and Germany will not be able to resist some features of the new market indefinitely. Placing orders for plant with favoured national suppliers and maintaining a monopoly hold on the generation market are no longer sustainable policies. However, whether governments in Europe will be happy to surrender their leverage over the electricity supply to the market as completely as in the UKis more doubtful.

Steven Thomas is senior fellow, energy programme, science policy research unit, Sussex University



At GEC Alsthom's Large Machines plant, the £27m invested on more flexible manufacturing methods is starting to bear fruit

Profile: GEC Alsthom Large Machines

Success through flexibility

MODERN manufacturing techniques vary enormously across different industries, but the production of power generation equipment in an increasingly competitive global environment brings special challenges.

The key to successful manufacturing in power equipment is flexibility. Predicting the product mix months ahead or even, in some cases, days ahead, is an "absolute killer", says Dr Mike Lloyd, director and general manager of GEC Alsthom Large Machines.

The average batch size going through the company's Rugby plant is just under two, he says. Coming off the production line are 800 units a year – motors and generators – in a wide variety of types and sizes ranging from 100KW to 100MW, and higher still for hydro-generators.

The need to increase flexibility – along with productivity, and responsiveness to customers' needs – helps to explain why Large Machines has just completed a £27m site reorganisation at Rugby to concentrate production into a streamlined, cost-effective modern factory, sweeping away 90 years of history and outmoded "us and them" attitudes.

The tangible signs of the four-year reorganisation, at a sprawling, 105-acre site (which employed 12,000 in the 1950s), include some tried and tested techniques such as design-for-manufacturing and flexible manufacturing cells. But the "World Class" programme has gone a long way beyond that, to envelop total quality management, multi-skilling and teamwork.

Results are already coming through. A crash programme of demolition and refurbishment has more than halved the floor area (to 600,000 sq ft), and the headcount has been reduced from 1,400 (in 1987) to 1,000. Yet sales have increased in the same period from £36m to a projected £60m this year, and, on average, production lead-times have been halved.

Even from four years ago, the factory floor is now unrecognisable. The introduction of 12 cells, coupled with the reorganisation of production into a more logical flow, has drastically reduced the distances travelled – and hence time wasted – by semi-finished products.

Since 1988, 90 years of history have been swept away and the Rugby plant shop floor is unrecognisable

Where necessary and practical, equipment has been duplicated in order to speed up flows – such as the provision of a second small testing centre for testing high voltage coils and complete stators.

In the machine shop, which is one-quarter the size of its predecessors, two new machining centres have been installed, each of which can handle tasks which previously would have required five or six machines.

But high levels of automation are applied only to the extent that they can contribute to flexibility and quality. "We are not pushing to get these machines running all day just to get our investment back," says Dr Lloyd, "but to get exactly the product we want, no more and no less."

The semi-automated approach has required the reorganisation team to focus as much on "people" issues as on production techniques. Hence, training on new equipment was matched by company-wide training and communication, to create a climate of improvement to which each individual can contribute.

Other important innovations include a sophisticated noise test facility which the company claims is the world's first for a power equipment manufacturing plant, and a new machine test department, costing about £6.5m.

The centrepiece of the large machine test facility is a £3.5m cycloconverter, for variable speed machine production testing. The ability to test large machines, often in excess of 5m in diameter, within the factory enables site commissioning problems to be minimised before despatch.

This is particularly important, because much of the "intelligence" in variable speed drives is written into software that drives the electronics in the cycloconverter.

The external aspects of the reorganisation extend to the suppliers: the core number has been reduced from 650 to 450, and Dr Lloyd aims to reduce regular suppliers to below 300 – and, naturally, to the customers. Last month GEC Alsthom showed 400 of these round a factory which can now be used as a marketing tool.

"I'm not saying we've got all the answers," says Dr Lloyd, "but we've made as good a start as any I have seen in this industry."

Andrew Baxter

John Dunn foresees a reversal in the fortunes of hydroelectricity

Water into juice

THE history of hydroelectric power schemes is littered with shattered dreams.

However, Gorm Gundersen, executive vice-president of ABB Norway, believes river power is due for a revival. Only 20 per cent of the world's potential for hydroelectric schemes has been tapped so far, he says.

Gundersen is a member of the management team responsible for the worldwide hydroelectric business of ABB, the giant Swiss-Swedish power consortium. Over the past 15 years new hydroelectric schemes have been in decline, he says. Big dams and reservoirs were unpopular with environmentalists and the vast capital costs made fossil fuel and even nuclear power generation more attractive.

But fears of global warming and problems over nuclear waste disposal have shifted attitudes towards hydroelectricity, says Gundersen. "It is clean, efficient and a renewable source."

ABB expects to see the market pick up again in the developing countries such as the US, Canada, Norway, Switzerland, and Italy where so far only 50 per cent of the potential for hydroelectric schemes has been developed. "But the most important market for us will be the Third World," says Gundersen. "There, just a fraction of the potential, as little as 5 per cent , has been tapped."

In spite of the high capital-costs, hydroelectricity is very attractive, he says. There are no fuel costs and a large share of the 80 per cent of a project's cost that goes on civil engineering work can be undertaken locally. Also, he says, there is the added benefit in some cases of combining hydroelectric schemes with irrigation schemes. As a result, says Gundersen, ABB is beginning to see a significant growth in the market of about 10 per cent a year.

Hydroelectricity accounts for about 20 per cent of total world energy output – 620 GW (Gigawatts) out of 3,000 GW. Gundersen expects the level to reach 25 per cent in the next decade.

ABB estimates the total world market for hydroelectric schemes to be about $3bn a year. This represents rather less than the 10 GW of new capacity installed annually during the late 1970s. The two biggest markets are China and south east Asia, particularly Taiwan, Malaysia, Korea and Vietnam. But Pakistan, India, and South America are all potentially exciting. And in Africa, Uganda, Kenya, Tanzania, Mozambique, Namibia and Angola all have considerable potential for hydroelectricity, Mr Gundersen says.

A refurbished scheme can produce up to 30 per cent more power from existing turbines

Although the number of new hydroelectric schemes has declined, total order values have risen because of the growth in the retrofit market. A refurbished power station can generate up to 30 per cent more power from the same turbines at 10-20 per cent of the cost of a new station. Better electrical insulator materials mean that old generators installed in the 1950s can have their windings replaced by new ones that squeeze more copper wire into the same space.

Refurbishing and upgrading stations now accounts for 25 per cent of ABB's hydroelectric business, says Gundersen. It is particularly popular in the US, although Germany, the UK, Sweden, Norway, Italy and Switzerland are upgrading existing stations. ABB also has some refurbishing projects underway in the Third World where many power stations have not been properly maintained says Gundersen.

ABB believes the future of hydroelectricity lies in reducing installation and running costs rather than developing more efficient generators. It is developing automated control systems to run power stations virtually unmanned as well as condition-monitoring sensors to warn of early signs of faults in generator insulation and bearings.

Over the last 10 years, some 83 GW of new hydroelectric capacity has been installed, of which ABB claims 23 per cent. Its nearest rival has been GEC-Alsthom with 16 per cent, followed by General Electric of Canada and the East Europeans each with 9 per cent and Siemens with 8 per cent.

All the Japanese power companies together accounted for about 17 per cent. But during 1989-91, GEC-Alsthom's share shot up and ABB's fell as GEC-Alsthom won a huge order in Taiwan. This year, ABB reversed the figures again by winning $350m worth of business from Iran's 2,000 MW scheme at Karum.

Mr Alan Stothard, managing director of the GEC-Alsthom turbine subsidiary, Rugby-based Neyrpic, sees hydroelectricity as the power source of the future. "If you had asked me two years ago, I would have said there would be a boom by now." But he was reckoning without the worldwide recession. And despite his long-term optimism, Stothard is not expecting any big upturn in new schemes for the next few years.

"Hydroelectric work is very flat at the moment. Construction work may take off in the next five years, but it will be a further three years before the equipment suppliers get in. Business is going to be very flat over the next eight years," he says.

Neyrpic will be relying on refit and rehabilitation work which has accounted for up to 50 per cent of its business in recent years. "A station installed 10 years ago with a rating of 100 MW now probably only has a rating of 75 MW because of degradation. We can upgrade it to 130 MW, giving a leap in power from 75 MW to 130 MW for as little as 10 per cent of the cost of a new station."

Ewbank Preece, the Bri ghton based engineering consultancy, says that the world's leading funding authorities such as the World Bank and the European Investment Bank now require an environmental impact report for any proposed new hydroelectric power scheme. This makes raising funds even more difficult.

As a result, it says, the trend over the next 10 years will be towards smaller, environmentally friendly new schemes and towards refurbishment of existing ones. Technology will reduce the size of generating equipment needed and lead to an increase in turbine speeds which will in turn lead to lower machinery costs.

John Dunn is deputy editor of The Engineer

Computers and controls play a bigger role

Gadgetry of excellence

THE CURRENT emphasis on reducing costs and increasing efficiency in power generation, and the technological transformation of the industry caused by gas turbines, are presenting new opportunities for suppliers of monitoring equipment and computer-based facilities management systems.

Inevitably, the privatisation of Britain's electricity industry has meant that many of the most significant developments in this field are happening in the UK – or are casting UK companies in a lead role.

Last month for example, the European Commission awarded a major project to a consortium led by Intelligent Applications, a Scottish-based software company, to develop the next generation of fault diagnosis and prediction systems for gas turbines.

The £2.8m Tiger project is supported by the EC's Esprit Programme. It involves six companies, including Exxon Chemicals' Fife ethylene plant and John Brown Engineering in Glasgow.

According to Dr Robert Milne, managing director of Intelligent Applications, the project will develop the world's most advanced gas turbine monitoring and diagnosis system, through the application of knowledge-based systems and artificial intelligence.

Gas turbines are highly complex pieces of equipment, and it is becoming increasingly difficult to identify developing faults and understand the cause of any current problems or alarms. The project, says the Scottish company, will use advanced modelling techniques to predict failures that even the best human experts are not able to anticipate.

A different approach is taken by Beran Instruments, a Devon-based company which 18 months ago launched a condition monitoring system developed in conjunction with the UK power industry. This uses sensitive transducers to establish the rate of change of vibration, enabling engineers to predict when a piece of plant needs maintenance. Mr Tim Salter, Beran's sales manager, says the UK market for such systems has exploded over the past year.

But not all the innovations are UK-based. Another recent development, announced in May by the New Jersey-based Micron Instrument Company, is a temperature monitoring instrument package designed to detect infra-red emission from exit gases in power generating plants.

The system is based on Mikron's M67 Transducer, which converts the infra-red reading into an electrical signal proportional to the temperature reading of the gases. The aim is to increase efficiency, allowing operators to keep the gas temperature below the ash level and determine whether soot blowing is needed to maintain efficient heat transfer from gases to the boiler.

According to Mikron, the advantage of the system is that the instrument does not come in contact with hot gases, due to its ability to read temperatures from its fixed position on a standard observation door.

Another US development, launched into the European market last year by Detector Electronics, is a range of flame scanners for large industrial and utility boilers. The company's new all-fuel self-checking flame scanner eliminates the need for separate ultra-violet and infra-red scanners in burner management systems.

Away from the power generation process itself, information technology companies such as Isicad, a Wokingham-based facilities, cabling and communication systems management company, are increasingly promoting the need for utilities to manage their computers and controls better.

Over the past 20 years, utilities' computer installations have tended to grow like Topsy, with insufficient attention paid to the wiring that interconnects successive generations of equipment – in buildings that rapidly run out of space and require redevelopment to house the next generation of computers. Consequently, identifying hundreds of miles of wiring can be a mammoth task.

Over the past three years, Isicad has been working for Southern Electric on the phased installation of a facilities management system which enables the utility to model on screen its computer rooms, with all the associated wiring and connections, to accuracies of less than a centimetre.

For Southern Electric, privatisation has increased the need for competitiveness, requiring responsiveness to the market place and internal efficiency. This has prompted a pro-active approach to innovations such as the Isicad system, but also ensured that every step of its installation has been ruthlessly examined in cost terms.

Mr John Anderson, Isicad's managing director, believes the opportunities for systems such as Isicad in the power generation business are immense. "What is important is that managements are buying into this system, and are asking themselves what they have to do to be more competitive."

Andrew Baxter

Gas turbines are now utilities' preferred choice, writes **Andrew Baxter**

By-products of the jet age

GAS turbines have been at the cutting edge of turbomachinery technology for more than a decade, and are likely to remain so, although the giant strides made in recent years have already been superseded by a more gradual process of change.

The relatively new position of gas turbines at the heart of the utilities' equipment arsenal is due partly to the availability of gas for power generation, facilitated by the development of combined cycle gas turbine power plants which use the waste heat from a gas turbine to power a secondary steam turbine.

The attraction of the system is clean, efficient, and relatively cheap and quick-to-build power generation, but the advances in gas turbine technology have involved a hard slog to reach current levels of efficiency and compactness. In the early 1960s, the thermal efficiency of combined cycle plants was about 28 per cent, rising to about 40 per cent by 1975 – much the same as for the most efficient coal-fired steam turbine plants now available.

Currently, the thermal efficiency of the best gas turbines in combined cycle has reached 55 per cent. The industry, prompted by its customers, believes it can raise the figure, but is not promising that it can be done quickly.

"We are still on a rising curve of development in gas turbines," says Mr Charles Shields, general manager for sales and marketing at John Brown Engineering in Clydebank. "I expect combined cycle to reach 56-57 per cent efficiency in the next few years, and 60 per cent in the next 20 years."

Equipment suppliers are not expecting to be able to produce what would normally be thought of as a "quantum leap" to propel combined cycle's thermal efficiency ahead quickly. "We can see ways of achieving 60 per cent efficiency thermodynamically," says Mr Chris Buck, managing director for Aero and Technology at GEC Alsthom's European Gas Turbines unit. "How we get there will be dictated by success of a number of discrete improvements, and could take a decade or more."

Manufacturers, in turn, have long recognised that the key route to improved thermal efficiency is higher firing temperatures in the gas turbine, thus increasing the exhaust temperature and maximising the application of the reheat steam cycle.

General Electric's Frame 9F, developed jointly by GE and EGT and claimed as the world's hottest gas turbine at 1,260 degC, is more than 500 degC hotter than Frank Whittle's first gas turbine. Its exhaust temperature is 583 degC.

Raising temperatures has been a steady process of advance via 50 degC jumps as new models are introduced, according to Mr Buck, suggesting that 1,500 degC could be reached in a decade.

The achievement has involved a constant quest for better cooling techniques within gas turbines. These are often derived from aero-engine practice, and have passed on to the power generation world many of the sophisticated prediction methods enabling better design and use of materials in crucial parts such as turbine blades.

Another way to enable higher temperatures, again handed down from the aero-engine world, is the use of new heat-resistant materials. In particular, EGT is looking at single crystal technology which can "grow" a turbine blade from a single crystal of a very heat-resistant alloy.

Hitherto, the size of the components in power generation gas turbines has been a major obstacle to this process, which has been applied in military aero-engines and is now available on commercial aero-engines. Mr Buck believes the obstacles to what would be a true quantum leap for combined cycle technology are close to being overcome, although he warns that such individual innovations can only be introduced gradually so as to maintain reliability.

Raising firing temperatures also risks creating a "two-step forward, one step back" problem for manufacturers by exacerbating the potential NOx emissions problem – although carbon monoxide and carbon dioxide emissions are reduced. This requires a compromise between improving the combustion process and increasing the firing temperature.

The other main area of interest in combined cycle power generation is in harnessing different fuels to the process, thus reducing the consumption of gas for power generation – although most estimates suggest it could be as much as 15 to 20 years before gas supply will become a real issue.

The most important development is coal gasification, and in particular the Integrated Gasification Combined Cycle, which combines coal gasification, a more sophisticated version of the old coal-derived "town gas," with combined cycle gas turbine technology.

The process has been shown to be commercially viable, under certain circumstances, and has a number of advantages and disadvantages. In terms of thermal efficiency, it is better than conventional coal-fired generation but still lags behind natural gas-fired combined cycle at about 44-45 per cent. But the expected improvements in gas turbines should lift efficiency to 46 per cent in two years or so, according to Mr Shields.

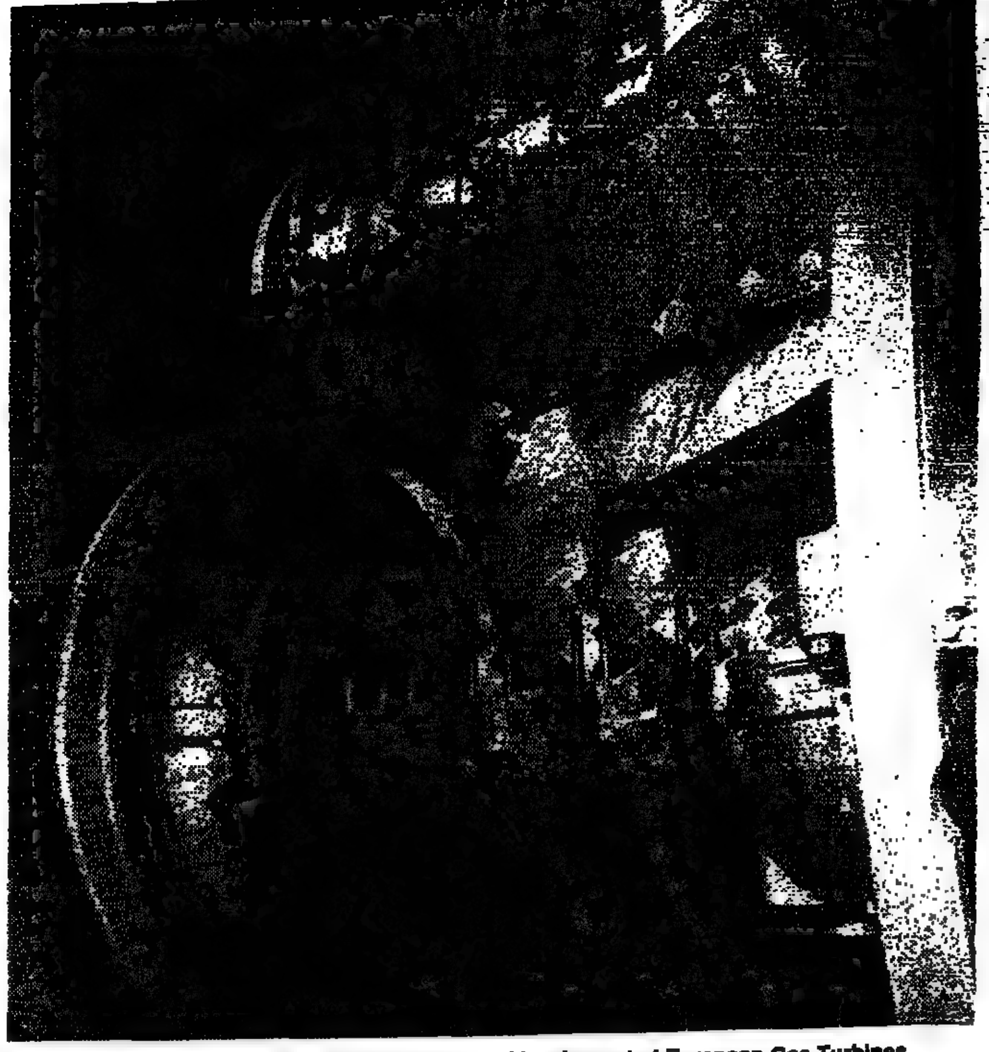
As for emissions, the gasification takes the sulphur out of the coal, thus removing the need for flue gas desulphurisation equipment that can be retrofitted to conventional coal-fired plant. Otherwise, emissions are worse than for natural gas-fired combined cycle.

Perhaps the biggest problem for IGCC in the current power industry environment is the extra capital cost, which could be prohibitive over the lifetime of the plant unless there is a source of cheap coal. For the manufacturers, this provides a spur to develop processes that can reduce the subsidy such a system might require, says Mr Buck.

The equipment industry is betting that IGCC will feature strongly wherever coal is an important element of a country's power strategy. In the UK, studies have assessed the technical performance of both large and small-scale IGCC, while in the US the $274m Cool Water project in California began operating as long ago as 1974.

Last month General Electric announced details of three IGCC projects in the US which are intended as examples of how full-scale applications of the technology will be in operation in the late 1990s. GE says numerous IGCC projects are currently being planned or studied in North America, Europe and Asia.

In contrast to IGCC which is being targeted at medium- to large scale power generation, small scale combined cycle generation – up to 10MW – is also being developed using biomass, an organic vegetable substance which can be pulverised to produce methane to fuel the gas turbine. Similarly, commercial exploitation of other fuels for combined cycle such as wood resins and landfill gases are likely to be concentrated in smaller plants, whether for power generation alone or in combined heat and power (CHP) projects.



Hot favourite: production at Ruston Gas Turbines, Lincoln, part of European Gas Turbines

Profile: Asea Brown Boveri

A truly global competitor

ASEA of Sweden and Brown Boveri of Switzerland kicked off the late 1980s round of concentration in the world power plant industry by merging in 1988 to form ABB Asea Brown Boveri.

The Swedish-Swiss group then made another big step in 1989, taking over Combustion Engineering in the US.

The effect, says Mr Göran Lundberg, executive vice president in charge of power plants, has been to transform the new group from a mainly European force to a truly global supplier that is the clear runner up to General Electric of the US with sales last year totalling $5.7bn. Mr Lundberg says that orders last year were roughly equally split among Asian, European and American customers.

The power plant business is ABB's largest division, and accounted for about a fifth of the group's overall sales of $28.9bn last year.

The division has grown especially quickly in the past year. In the six months to April, it took in $5bn in orders compared with $6.4bn in the whole of 1991 and only $2.8bn in 1988.

It has admittedly been operating in a strong market during most of this period. Mr Lundberg estimates that the total world market has grown from about 30 gigawatts (1 gigawatt equals 1,000 megawatts) in 1988 to a likely 45 to 50 gigawatts this year.

He believes rationalisation is still the order of the day. In the mid 1980s, there were 10 steam turbine makers in Europe with capacity to supply 120 gigawatts of new equipment per year.

Now only five suppliers remain and Mr Lundberg estimates that capacity, including eastern European suppliers, is down to about 90 gigawatts. "We still have some things to do," he says. ABB itself still has a bewildering array of factories in Switzerland, Germany, Sweden, Norway,the US and Poland.

ABB is almost a full line supplier. It has two nuclear technologies, one inherited from its Swedish subsidiary (the boiling water reactor or BWR) and the other acquired with Combustion Engineering in 1989. CE is one of the US PWR technology holders.

The group also makes coal and gas fired plants, hydro plants, boilers, steam turbines and heavy duty gas turbines. The one technology it lacks is the currently popular aero engine-derived gas turbine, used frequently in combined heat and power generating plants.

Mr Lundberg does not seem worried about this gap, claiming that the aero-engine derived market is "very small", accounting for only about 4 per cent of the total market.

ABB's strategy has three main components. The group tries to match its products to customer needs. It invests heavily on innovative environmental control systems for its plants and it tries to do its part to contribute to the much needed rationalisation of the industry.

Mr Lundberg says the shape of the industry is changing rapidly. "In the mid 1980s, everyone was a regional actor. Today, the survivors are working in the global market."

He believes the four largest groups – General Electric and Westinghouse of the US, Siemens of Germany and ABB – will gradually pull away from smaller competitors because of the growing level of investment required to stay competitive.

Interestingly, he does not consider GEC-Alsthom, the British-French joint venture, as a separate competitor, but part of the GE family. Similarly, Toshiba and Hitachi of Japan are in the GE family, and Mitsubishi Heavy Industries is with Westinghouse, although it now appears to have the lead of the Westinghouse family.

The customer side is changing also, as large utilities are broken up and new ones enter the business. Mr Lundberg says they talk to each other more than traditional customers did, and have become more demanding. Also, in most countries, there are fewer and fewer distortions to open competition created by governments.

Lundberg: expansive mood

ABB is particularly proud of its drive to make power generation a more environmentally friendly process. "The market is asking suppliers to make big investments in efficiency and environmental protection, and we have been able to keep our spending relatively high," Mr Lundberg says.

ABB as a whole spends 8 per cent of its sales on research and development, and Mr Lundberg points out that the power plant division, being the largest in the group, has a big budget.

The group has set up a joint venture with Japan's Ishikawajima Harima Industries (IHI) to market the pressurised fluidised bed reactor – an idea first explored by British Coal in the 1970s – to provide a more complete combustion of coal. It claims that emissions from these burners are well below the most severe requirements – 10 parts per million of sulphur dioxide, less than 50 ppm of NOx, and virtually no carbon. "The dream was to have a zero emission plant. We now call it a zero environmental impact plant," Mr Lundberg says. So far, the joint venture has won two orders for the technology. "We want to refine the system further and improve its operating economy. There is already 10 per cent less consumption than in a normal coal plant and we are aiming at taking out another 10 per cent."

ABB has also led in removing NOx emissions from gas fired plants. "We have got it down to 10 to 15 ppm which is well below the 25 ppm standard. Obviously, a major focus of research effort is on eliminating carbon dioxide emissions, and Mr Lundberg thinks the most promising avenue is through improvements in net efficiency.

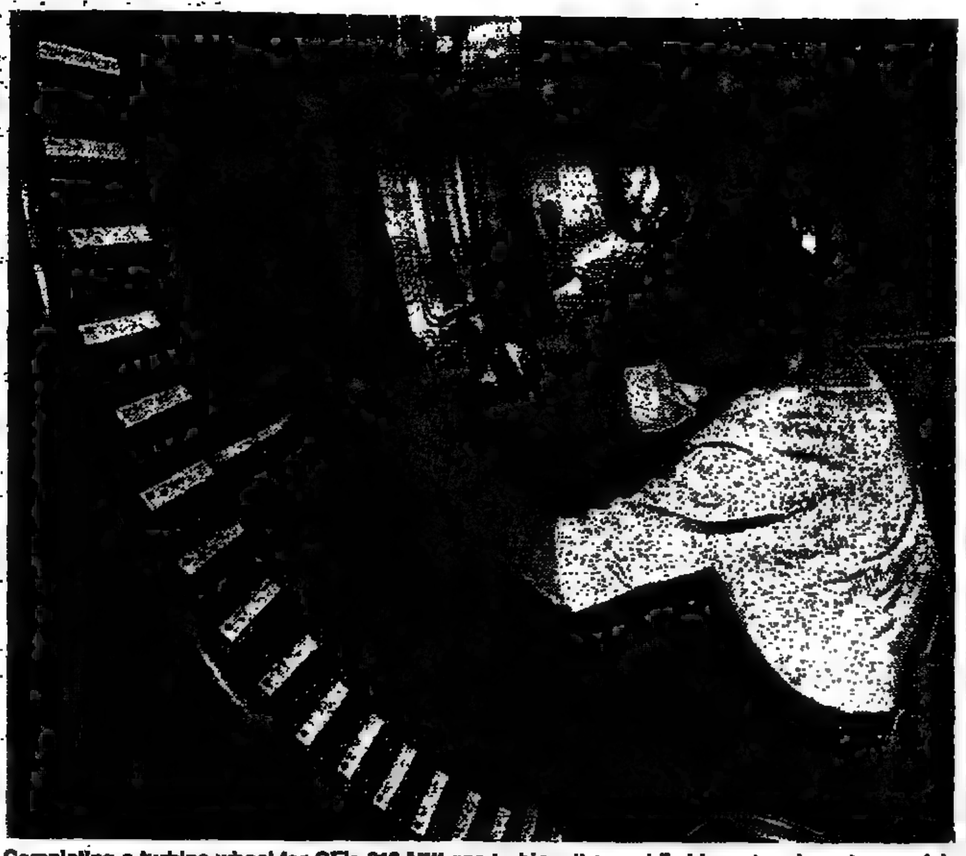
ABB's other thrust has been into eastern Europe, and Poland in particular, where it has made a number of acquisitions in the past two years and now employs some 10,000 people.

ABB has found that it could bring manufacturing standards up to western standard quite quickly. In particular, it has transferred gas turbine technology and now uses Poland as a low cost source of machinery for world markets.

ABB said in May that it was still expecting a difficult year and that profits would probably not grow above last year's level. However, in June, it announced a huge $1.8bn order for an oil and gas fired power station and seawater desalination plant in Abu Dhabi. Its own share of the contract would be close to $1bn, and it may well be that this and other orders could make the year end better than expected.

Ian Rodger

Andrew Baxter visits GE's plant at Greenville, S. Carolina



Completing a turbine wheel for GE's 212 MW gas turbine, the world's biggest and most powerful

They're cutting big holes in the floor

THE rapid growth in the global gas turbine market over the past five years has prompted heavy investment by producers to raise manufacturing capacity, taking advantage of modern production technology and reorganising to maximise efficiency.

The trend is particularly well illustrated at General Electric's gas turbine factory at Greenville, South Carolina, where a three-year, $150m plant expansion and reorganisation is nearly complete.

Construction workers are still cutting some very large holes in the floor to accommodate the foundations for new machine tools or provide spin wells for the turbines.

When the expansion is completed, says Mr Edward Darien, advanced programmes and customer relations manager at the plant, floorspace will have increased 30 per cent to 1m square feet – at what is already the world's largest gas turbine factory. GE opened the Greenville plant in 1968, but the seeds of the current manufacturing strategy were sown in the mid-1980s when the dearth of power generation orders worldwide prompted the company to end gas turbine manufacture at Schenectady, New York state, and consolidate production at Greenville.

But GE also had to think carefully, says Mr Darien, about precisely what it wanted to produce. This led to a $55m consolidation and modernisation programme from 1987-1989, with a clear focus on the core technologies of gas turbine manufacture – blades, buckets, combustion hardware and nozzles.

It also led to a worldwide sourcing policy for the basic, unmachined, castings, forgings and casings. Some of the biggest forgings come from Japan – no one in the US can make them – while GE's worldwide business associates supply many turbine parts.

The current programme is intended to strengthen the focus on core technology, increase throughput by more than 40 per cent, and support new models.

Apart from a heavy dose of reorganisation, the expansion includes a materials distribution centre to free space for manufacturing, a new combustion and coating manufacturing building and an additional test facility for GE's "F" series of advanced gas turbines.

New processes and equipment are in evidence throughout the production flow. The crucial interlocking points of the turbine buckets are being protected from wear with powder applied by laser, while additional ultra-modern vacuum plasma spray facilities with an automated co-ordinate measuring centre have been introduced for coating the buckets.

Further along the production line, a new Lepointe Champion broaching machine is making the dovetail slots on the rotor wheels quicker and more accurately than its predecessors, while a nozzle machining cell, based around five Cincinnati Milacron machining centres, is reducing cycle times by servicing several nozzle configurations simultaneously.

Shorter cycle times is one of the priorities of modern turbine manufacture, and Mr Darien said the first half of this year had produced some "significant hits" in reducing both cycle times and inventories (stocks).

Further gains will be made as the expansion is completed, he says.

However, GE is keenly aware that reducing cycle times cannot be left to new technology alone. The cycle time for turbine blades – from the issuing of the paper work to the finished blade – was very quickly halved from 26 to 13 weeks with new machine tools, but it has taken considerable efforts on organisation, training and teamwork to bring it very close to a target of just two weeks. It sounds, perhaps, like an old cliche, but Mr Darien stresses Greenville's biggest asset, its people and their very positive – non-union – work ethic.

Employment will be close to 1,900 by the end of this year, compared with 752 in 1986, and over the past five years there has been much greater emphasis on employee participation. Hourly-paid workers, for example, have been sent to machine tool suppliers to accept equipment for delivery.

The next target for Greenville, apart from filling the remaining holes in its factory floor, is to win certification to the ISO-9000 quality standard. Mr Darien hopes that will be achieved by the end of this year.

Environmental example from the Mongolian plains

When cleanest is cheapest

WHEN IT comes to technology, backward societies are sometimes more advanced than those of developed countries.

In a number of other poor countries, machines are used every day to renewable sources such as the wind, the sun and flowing water into electricity and heat.

In cattle-rich Mongolia, for example, a study is taking place, with United Nations backing, of small, portable "digesters" that produce valuable methane gas from animal waste.

The Mongolian demand for renewables led to the import of of several hundred small solar cell units, rated at about 60 W, supplied from the US, Europe and China.

Western demand for renewable energy has prompted ambitious schemes such as large 1 MW wind turbines, being developed to satisfy the rising demand for base-load electricity. They are intended to compete with conventional power plants burning fossil fuels such as coal, and with nuclear power.

The technologies and the markets are far from mature. Yet by 1987 renewables were already supplying an estimated 6 per cent of the world's primary energy, equivalent to the energy from 476m tonnes of oil. Most of that was from large hydroelectricity schemes.

By 1990 the world already contained an estimated 20,000 wind turbines, one of the most developed of the renewables, feeding an annual 3.2bn kWh of electricity into power grids. Europe has about a quarter of the installed wind power capacity.

Yet all renewables will become increasingly important. "Worldwide development of renewable energy systems on a large scale will be necessary in the future, due to the inevitable and accelerated exhaustion of reserves of fossil fuels," says the Organisation for Economic Cooperation and Development.

Renewables promise a reduced dependence on imported fuels, a diversification in power supply to improve energy security, and the freeing of finite fossil fuels such as oil for premium uses such as processing into valuable commodities.

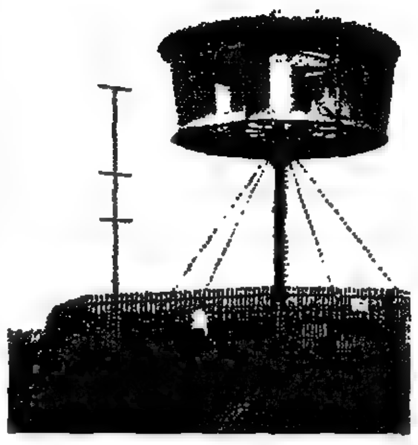
Over the past couple of years the clean nature of renewables has added to their attraction. Burning fossil fuels releases the greenhouse gas carbon dioxide (CO_2) that has been locked up in the fuel for millions of years. Renewables, however, usually draw on the less polluting physical effects of the sun, such as the wind. And the CO_2 released by biofuels renewables, including the burning of straw and trees, was taken from the atmosphere only a few years previously.

The European Wind Energy Association (EWEA) says that about a third of CO_2 emissions are from electricity generation. "For every 1 per cent of electricity generation capacity which is displaced by renewable energy, a 0.3 per cent reduction in total CO_2 emission is therefore obtained," it says. That is a cut of 15m tonnes a year in the European Community alone.

There would also be large reductions in the emissions of other pollutants such as nitrogen oxides and sulphur dioxides that contribute to acid rain, and 1m tonnes less power station slag and ash whose disposal is becoming increasingly expensive and contentious.

The EWEA says that only if renewables are combined with more efficient use of energy will the developed world meet its targets for controlling pollution.

Yet renewables have their own environmental problems, including noise and visual obtrusiveness. The latter bedevils wind power. "The undoubted benefits of renewable energy sources must not blind us to their environmental costs," warns the Council for the Protection of Rural England.



UK wind generator: the art of simplicity

The growth of renewables promises plenty of business for manufacturers, and operating and maintenance jobs.

The EWEA says that the bulk of the wind turbines will probably be built in Europe which is home to most of the world's 30 or so established producers. They include respected engineering concerns such as MAN of Germany and the UK's British Aerospace, and little known but successful small Danish companies. Outside Europe the two big wind turbine manufacturers are US Windpower and Mitsubishi Heavy Industries of Japan.

Many countries are committed to renewables. The European Commission, which is funding research and development, says small hydroelectric units could provide 2-3 per cent of the European Community's electricity and solar power 1-2% of its total energy, mostly as heating.

Denmark, one of the world's leading wind power countries, produces about 2 per cent of its electricity from turbines, with a target of 10 per cent by the turn of the century.

Yet kick-starting a renewables market is not easy. And the sheer size and cost of large wave and tidal power schemes, such as a proposed £1.1bn tidal barrage in the UK's Mersey estuary, make their construction unlikely

In Europe, subsidies for renewables installations have been backed by stimulants such as tax relief on investments or earnings, and premium payments for the power produced.

Denmark, for example, introduced a 30 per cent private turbine installation subsidy that disappeared in 1989 as the technology improved. Such schemes are, however, open to abuse and costly to run.

And although the UK government has provided £180m for renewables research and development since 1979, and currently subsidises the electricity from installations, it is unclear whether it will meet its target of 1,000 MW of renewables, or 2 per cent of the UK's generating capacity, in place by the turn of the century.

Critics say this is a fraction of the potential and that renewables should receive more in subsidy than the current 1 per cent of the £1.2bn being collected this year from the Non Fossil Fuel Obligation (NFFO) levy on electricity from fossil fuels. The balance supports nuclear power.

The NFFO subsidy is also due to end in 1998, which critics say is far too soon for relatively unproved renewables to provide a return for investors. Technical studies point to 20 year lives for wind turbines although large machines have yet to clock up that sort of lifetime.

There is also the cautionary tale of the UK company Howden which lost £13.2m as a result of problems on turbines it supplied to California. In 1989 Howden pulled out of the market.

The turbine market should, however, be helped by the current development of international standards that investors will be able to trust.

The UK government now intends to review its renewables strategy after the completion of an independent study in the autumn. Yet the UK's unsettled approach to renewables is not fundamentally different from that of other industrialised countries.

The hurdles for renewables are many and the technologies in many cases have yet to prove economic. However, like is not being compared with like, as few economies allocate the true cost of the pollution from burning fuels, for example.

As countries move towards more sophisticated energy and environmental pricing, typified by the energy and carbon tax proposals from the European Commission, the renewables market could get a new wind.

Vic Wyman, of The Engineer

POWER GENERATION EQUIPMENT 6

ON JANUARY 1, a new era will begin for the power generating equipment industry and its clients in Europe when the European Community's controversial Utilities Directive comes into force, opening up public procurement contracts in the energy sector to competitive bidding.

Most European suppliers believe the changes will, ultimately, sweep away the sometimes cosy relationships between EC utilities and domestic suppliers. US suppliers, however, remain deeply worried by the Directive, and particularly its so-called "Fortress Europe" provisions.

Certainly the long-standing links between customers and heavy plant suppliers, often encouraged by national governments which saw heavy engineering as an integral part of industrial policy, are unlikely to disappear overnight. The pace of change and the need for it may also vary considerably from one country to another.

The Utilities Directive was pushed through by the European Commission in autumn 1990, in the face of considerable opposition by some national governments. Removing obstacles to transparency and fairness in public procurement was identified as a key prerequisite for a properly functioning Single Market.

New EC power plant rules raise US fears of "Fortress Europe", writes **Andrew Baxter**

Two cheers for competitive bidding

Electricity supply is an important area of public procurement – spending on energy and water-related contracts accounts for 17 per cent of EC public procurement as a whole. The Commission sees a clear link between the historic lack of intra-EC trade in power generating equipment and procurement practices.

The basic rules of the Utilities Directive seem plain enough. Any supply contract worth Ecu400,000 or more (other than for telecommunications) and any works contract worth Ecu5m or more fall within the scope of the Directive, which sets strict rules for the publishing of the contract, the tendering process, and the criteria for the award of the contract – whether on lowest price or as the most "economically advantageous" for the customer.

Utilities can also decide to use one of three contract award procedures: an open method where all suppliers or contractors can submit tenders; restricted procedures for candidates invited by the customer; and negotiated procedures where the customer consults suppliers or contractors of its choice and negotiates with one or more.

In both the restricted and negotiated procedures, however, there must be enough potential suppliers to ensure adequate competition.

The thorny issues of contract specification and technical standards, which have hitherto often been used by some countries as a non-tariff barrier to trade, are addressed by measures enabling potential suppliers to obtain enough information to meet the customers' requirements.

By the same token, suppliers will have to pay more attention to standards than previously, and in particular to European-wide standards, because these will be used to define the technical specification to be used in the invitation to tender.

Even in the final months before its implementation, interpreting the Directive is a difficult, and sensitive issue. At a recent London conference on contracting in the new power industry, Mr Ernest Walker, European adviser of the Institute of Purchasing and Supply, suggested two reasons why contractors and suppliers are unwilling to speak publicly on how they plan to respond to the procurement directives.

The first was ignorance of their contents and an unwillingness to disclose this publicly, while the second was an unwillingness to risk losing a competitive advantage to others.

Mr Walker also put forward two reasons why equipment suppliers should have an adequate knowledge of the procurement directives.

First, a supplier might find himself in a contractual situation, such as a management contract, where he is the agent of the client, and would then have to apply the directives in the same way that the client does. Secondly, knowledge of the directives will help a supplier know if he has been wrongly treated by a client. He will then be able to seek conciliation or initiate other remedial action.

This would be taken via the separate EC Remedies Directive, which will provide legal sanctions against companies – effectively, against both customers and suppliers – who fail to observe the Directive. "Contracting entities will be exposed to financial risk if they don't comply," says Ms Helen Charlton, a partner in the EC and Competition Group at the law firm Denton Hall Burgin & Warrens.

For non-EC suppliers, the biggest problem in the Directive is two key provisions collectively known as Fortress Europe.

Customers can reject a bid with less than 50 per cent of European content, and must prefer the European bid where it is no more than 3 per cent dearer than the best bid from overseas.

According to Ms Charlton, the Fortress Europe provision has significant implications for non-EC suppliers. Indeed the major US suppliers, led by General Electric of the US, are deeply worried by this aspect of the Directive.

In this, they are supported by the US government, which has said that it will seriously consider sanctions if the contentious Article 29 is enacted, thus discriminating against US companies. The US industry is hoping that a deal between the US and EC at Gatt level could lead to an amendment to Article 29 removing US suppliers from its scope.

Ms Charlton points out that the "3 per cent" rule is itself open to different interpretations: is the difference to be based on the higher or the lower price? The UK draft legislation, intended to implement the Directive, takes the less protectionist stance by basing the calculation on the lower price.

A second problem is the fact that the Utilities Directive excludes "services," which could cause difficulty with turnkey contracts where much of the value is based on supply of knowhow rather than equipment. The Directive applies to siting and installation services, but is to be amended to include services, though probably not by January 1.

Among more general issues for equipment suppliers raised by the legislation, the extra cost of bidding is also important. Any further rise in bidding costs – which already exceed £1m for a turnkey power station or £500,000 for supplying a batch of gas turbines or boilers – increases the pressure on equipment producers to guess which projects are likely to produce real orders.

A further question is the extent to which the public procurement directives cut across other trends in the relationship between suppliers and customers in the power industry, such as single sourcing or long-term partnering agreements.

As usual in the power equipment industry, the introduction of the Directive will require suppliers to keep well-tuned political antennae.

Dr Eugene Zeltmann, manager of trade and industry associations at GE Industrial and Power Systems, made clear at the London conference that for non-EC based suppliers, the use of strategic alliances to help break down trade barriers remains crucially important.

At the same time, GE and its allies continue to seek ways to "chip away at the bricks in protectionist walls".

Profile: General Electric

Even world leaders need friends

A POWERFUL combination of strategic alliances, technology leadership and manufacturing expertise has helped General Electric (GE) retain its position at the top of the generating equipment league throughout the upheaval of the 1970s and 1980s.

The US company is determined to keep it that way.

By most standards, the numbers generated by GE's power business are impressive: the world's biggest installed base, with more than 12,000 operating turbine-generators in more than 80 countries; and 4,735 gas turbines installed or on order – four times more than its nearest competitor.

Last year, GE Industrial and Power Systems, of which power generation is the most important part, was the US industrial group's fastest-growing business, with revenues rising 7 per cent to more than $6.2bn.

The global reach of GE in power generation is illustrated by recent orders, and might suggest that winning new business is a push-over for the Schenectady-based concern. In Japan, for example, where US engineering companies have traditionally found it hard to make headway, GE – working closely with Japanese business associates Hitachi and Toshiba – is building the world's largest combined-cycle power plant for Tokyo Electric Power Company: a 2,800MW leviathan, scheduled to be completed in 1995.

A much smaller order, but equally significant in its own way, was announced in March: a $16m contract, won with Elin Energieversorgung of Austria, for two 40MW turbines to power a combined-cycle plant at Linz.

In fact, in a complex business heavily influenced by trade politics and national prejudices, nothing is easy, even for a world leader.

GE has long recognised the need for partnerships to help it penetrate markets which otherwise would be closed.

For GE the key to building a network of 57 business associates and licensees worldwide, and to winning orders in markets such as Japan, is technology leadership.

"If I lose that it all crumbles to nothing," says Mr David Genever-Watling, senior vice-president at GEIPS.

This is particularly true in the gas turbine business, where GE has clearly benefited from the spin-off effect of aero-engine research and development.

Overall, with the help of its friends, GE has won about 50 per cent of worldwide power generating equipment business for many years. And over the past three years, it has made three important alliances to help overcome trade barriers in Europe.

A series of agreements with Elin, last year, covers joint generator development; these are seen as a stepping stone to power equipment deals in eastern Europe.

Earlier this year GE signed a manufacturing and marketing deal with Germany's Blohm & Voss, covering both steam turbine and combined-cycle power plants.

But the most important relationship in Europe is between GE and European Gas Turbines, the subsidiary of Anglo-French GEC Alsthom. GE and EGT have co-operated on development of the world's most powerful gas turbine, the 50-hertz Frame 9F, which has spearheaded GEC Alsthom's recent string of successes in European contract battles.

The first commercial 9F, manufactured at EGT's factory at Belfort, in France, is scheduled to enter service at Electricité de France's Gennevilliers power station later this year. GE and EGT are also co-operating in the development of low NOx combustion systems to reduce emissions levels for GE Frame 3 and Frame 5 gas turbines; the new versions will be available from 1994.

Along with other relationships in Europe (which have already included John Brown Engineering of Scotland, Kvaerner Eureka of Norway, Thomassen of the Netherlands and Italy's Nuovo Pignone), these deals enabled GE and its partners to claim 62 per cent of the orders for gas turbines in Europe last year.

The European steam turbine market, however, is a different matter. Technologically, it is much more difficult for any company to gain an edge in a relatively mature business. Thus, local buying preferences prevail. GE has not sold a steam turbine in Europe since the days of the Marshall Plan, but is working hard to change that.

GE engineer tries a new computerised manufacturing program

Developments in GE's business associate relationships show clearly where GE sees its priorities for the 1990s. Apart from the Blohm & Voss deal, the other important agreement announced this year involved Korea Heavy Industries & Construction (KHIC). Already a GE steam turbine business associate, KHIC became the 10th gas turbine business associate in January. The deal provides for both companies jointly to manufacture turbines based on GE designs, and also allows GE-designed gas turbines, built solely by KHIC, to be marketed in the Republic of Korea.

For Mr Genever-Watling, Korea is part of the industrial world – along with western Europe, North America, Japan, Taiwan and Australia – where the issue for GE is "execution", holding on to its market shares.

He divides most of the rest of the world three ways. South-east Asia is coupled with Mexico as the fastest growth opportunities of the 1990s - requiring the company to "shift its centre of gravity." Earlier this year, for example, GE reorganised its international operations, establishing a new GEIPS Asian office in Singapore under Mr Donald Kucza, who has been with GE for 25 years.

The Middle East, Turkey and Iran are grouped together as priority lesser-developed markets for selective exports – via business associates, if necessary for political or trade reasons.

This leaves what Mr Genever-Watling calls the mega-markets of the year 2,000 – China, India, Eastern Europe and the CIS. Here, he says, the approach needed now is to "lay foundations."

Andrew Baxter

FINANCIAL TIMES SURVEY

YORKSHIRE AND HUMBERSIDE

SECTION IV

Friday July 31 1992

A diverse economic base, lessons from the early 1980s and local attitudes to wealth have helped the region, one of north England's main economic engines, withstand recession. Can its industry and commerce survive recovery? Ian Hamilton Fazey reports.

Hoping for a slow upturn

IT IS not the recession which dominates talk around business lunch tables in Yorkshire and Humberside, but the recovery. Managers fear its arrival. The worry is whether business can afford anything more than a long, slow uplift.

Recession has had patchy effects. Some businesses have expired or been taken over; some places have not even felt it. Wakefield, for example, is so well placed at the nexus of the M1, M62 and the A1 that it hardly has to sell itself to inward investors, who continue to arrive.

Only 50 minutes away, along the M62 or the M180, the four main Humber ports are in a state of unfettered growth following abolition of the national dock labour scheme in 1989.

The Humber estuary is therefore developing rapidly as the main European trading gateway for northern England and much of the Midlands. One large dock in Hull, shut down as hopelessly uncompetitive in 1981, has been cleared of silt and successfully reopened.

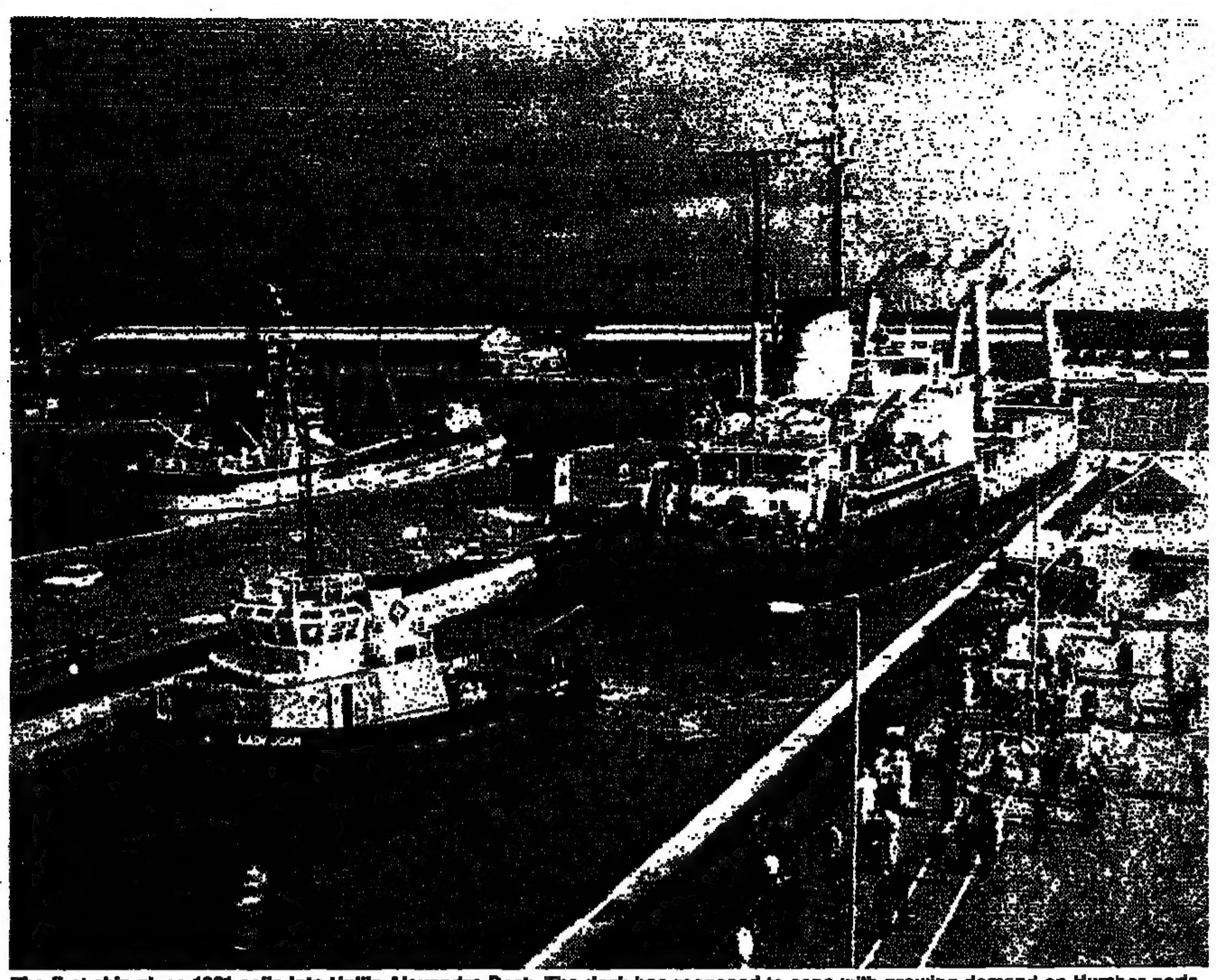
Trucks from Ireland, Scotland, the Netherlands and Germany stream across northern England. In 1974, 8.6 per cent of UK seaborne trade was through the Humber. In 1990 (the latest available figures) it was more than 12.5 per cent. In 1985, throughput was 46m tonnes. It passed 60m tonnes two years ago, with a total value approaching £20bn.

Mr Mike Fell, who runs the docks at Hull for Associated British Ports, says this puts the Channel Tunnel – which eventually expects to handle an annual 16m tonnes of freight – "in perspective".

If recession had really bitten in the region, it would have shown more drastically in unemployment figures. The rate for the region improved to 9.5 per cent in June, having apparently bottomed out at 9.8 per cent in the first quarter.

Yet in January 1988, more than 262,000 of the region's 2.4m workers were unemployed; a rate of 11.2 per cent. This had fallen to 6.9 per cent in October 1989, but as recession started to bite in the south, the effect such a change used to have on the north was not evident.

The relatively small fluctuation in unemployment levels since then would seem to indicate a marked change in regional economic behaviour.



The first ship since 1981 sails into Hull's Alexandra Dock. The dock has reopened to cope with growing demand on Humber ports

In part, this is because of a changed structure. Big manufacturing closures took place more than 10 years ago and local economic reconstruction in the coalfields is slowly having an effect.

Yorkshire and Humberside's economy now has a better spread by type and size of businesses. Many of them trade briskly between themselves. Leeds alone has 14,000 businesses in six sectors. "This diversity has helped us to weather recession," says Mr John Siddall, the city's economic development officer.

Local cultural factors are also at work. Mr Richard Wilson, senior partner of Gordons Wright & Wright, a Bradford solicitor, says: "People have always liked to have more of their own money in their businesses than they borrow from the bank.

"This may make them more cautious, but it also makes them less vulnerable."

Mr Ken Denton, editor of a business magazine published by Kirklees and Wakefield chamber of commerce, says that owner-managers in textiles or engineering have always been used to ups and downs. "Their attitude is, 'Let's make some money and get it in the bank to help us through the bad times.' This tells you something about why many such businesses have survived."

Mr David Thurston, production director of BTH Building Systems, which makes temporary premises, says: "Businesses should always proceed with caution, however good the market looks. You should make a bit, invest a bit and never try to do everything in one big leap. If you can't expand out of your own resources, should you be expanding?"

Mr Richard Dunhill, of Hill Woolhouse, a chartered surveyor, says there is no glut of office space in Leeds because most of the region's developers rarely do more than one project at a time, proceeding to the next only after exiting profitably from the last.

Indeed, Mr Jon Trickett, Labour leader of Leeds city council, points proudly to new tower cranes going up in the city – although public spending is a factor here, with the relocation, to Leeds from London, of the Departments of Health and Social Security.

Mr Dunhill says this stimulates a chain of demand as suppliers of associated services also move in or set up. He says the mechanism has been proven in Sheffield over the past 10 years, following the move of the government's manpower services to that city.

The government this month announced a £20m grant to help relocation of the Royal Armouries museum from the Tower of London to Clarence Dock in the Leeds canal system. This is expected to stimulate property development around it.

Prudence, rather than conservatism, is the way Yorkshire people like to describe their business attitudes. "People here are used to managing a flat market," says Mr David Wilkinson, who heads 3i's offices in Leeds, Hull and Sheffield.

"We have some very sound investments in very good, solid businesses. Maybe some did not seize the opportunities of the 1980s, but they are better able to stand up to what is happening now."

Yorkshire and Humberside contain 5m people – about the same as Scotland – and account for 8 per cent of UK gross domestic product. Mr Peter Coles-Johnson, who heads the combined chambers of commerce in the region, says Yorkshire and Humberside does 11 per cent of the UK's exporting and this has also has helped business resist recession.

However, groups of business leaders assembled this month for chamber of commerce meetings or Bank of England informal lunches have unanimously agreed that there is no end to recession in sight. They have battened down to hang on, but anxiety is mounting about coping when the things turn up again. Finding enough working capital is the worry.

Yorkshire prudence, combined with the lessons of 1980-82, ensured that many businesses went into the recession with cash reserves. Those which did not, or were overgeared, went into liquidation early. But cash is draining away from the rest while the national climate remains depressed. Many have started using up their overdraft facilities.

Mr Wilkinson says: "The general picture is that the flow into receivership has thinned. But if there is now rapid or uncontrolled growth, that picture will deteriorate."

Mr Charles Burton and Mr Peter Bancroft run the Bradford and Leeds offices of Haines Watts, a national accounting firm which specialises in small or medium-sized unquoted businesses owned by their managers. They say about 80 per cent of businesses are now running at their overdraft limits.

Limits are tighter because banks have reduced their exposure during the recession. Banks insist they do not operate a formula on this, but a case-by-case judgment of what is prudent.

Few customers believe this: Haines Watts says lending is usually set at 50 per cent of asset value and 30 per cent of debtors, compared with a respective 70 per cent and 50 per cent previously.

However, Mr Trevor Skelley, chief manager of Natwest's business centre in Leeds, says: "If we are satisfied with the probity of management, companies will not be starved of working capital. There is no joy for us in seeing our customers go down."

'Whatever happens, we are going to need a very long runway for take-off'

Mr Ralph Preece, a Touche Ross corporate recovery specialist, says more one-off investigative work on behalf of banks suggests that they are asking accountants to judge this managerial probity company by company, as each seeks more working capital.

His opposite number at Price Waterhouse, Mr Gordon Horsfield, agrees. There is no point in foreclosing on a business if its assets are unrealisable, so the banks are looking for reasons to support recovery if a business's prospects look fair.

"What we are going to find on the way out of recession is not so much which are the good companies, but who are the good bankers," Mr Horsfield says. "But whatever happens, we are going to need a very long runway for take-off."

YORKSHIRE AND HUMBERSIDE 2

Local economy is less secure than it seems

Little room for complacency

A CALM SEA, with a storm *raging underneath – that*, says Mr Jonathan French, *North Yorkshire County Coun*cil's senior assistant economic development officer, summarises the county's economy.

North Yorkshire is probably the most prosperous county in the north of England. With beautiful countryside, charming towns and its unemploy*ment rate of 5.4 per cent com*pared to the UK's 9.6 per cent national average, it might seem to have nothing to worry about.

In January this year, only Berkshire and Oxfordshire, among English counties, enjoyed lower unemployment *figures*.

Yet North Yorkshire's economic development officers insist that there is no room for complacency.

While some northern areas are tussling with population decline, the county faces the challenge of satisfying the *employment needs of* a citizenry which is growing at more than twice the national average: 714,000 last year – this is expected to reach 761,000 by 2001.

By 2006, the workforce may have risen by 10 per cent; an increase which, just to stand still, *would require 2,300* net new jobs every year.

Given its relatively low unemployment, North Yorkshire, England's largest county, might seem well equipped to cope, especially because its schools' educational achievements are well above average and its workforce is highly qualified, with nearly 50 per cent in white collar occupations.

But its economy is more vulnerable than is immediately *apparent*.

The first Labour Market Study by the North Yorkshire Training and Enterprise Council (Yortec), published last year, estimated that agriculture was 3.6 times more significant in the local economy than nationally, followed by coal extraction (3.2 per cent), railways (2.9 per cent) and food and drink (2.9 per cent).

According to the county's *1992-1993 Economic* Development Strategy, 12,600 of its 270,000 employees work in agriculture – 5 per cent, compared with just 1 per cent nationally. Mining and power engineering account for 4 per cent in the county, against 2 per cent nationally.

The reformed EC common agricultural policy looks certain to mean more job losses *from the agriculture sector* – in North Yorkshire and nationally – *as land is taken out of* production.

And not even the modern, strongly performing Selby mining complex in the south of the county can presume itself immune from the struggles of the British coal industry to compete against cheap *imports, competition from gas* and the uncertainty over future demand from the electricity generators.

Railway engineering, centred on York, has been through traumatic times in recent years, and British Rail privatisation proposals mean that the *county cannot take its railway* jobs for granted, even though it has the benefit of being served by the now fully electrified east coast line, cutting York-London journey times to just 1 hour and 43 minutes.

And only this month the county has been reminded of *the vulnerability of the defence* sector, which provides 18,000 jobs for servicemen and civilians within its boundaries.

North Yorkshire's strong tourist industry cannot be expected to solve structural problems within the local economy

As part of its Options for Change review, the government announced that it is to close both the Royal Electrical Mechanical Engineers army workshop at Strensall near York, at a cost of about 200 jobs, and the RAF's Catterick base, where 75 civilians work. *Hopes that the Army will take* it over have not been con*firmed*.

Harrogate, which is already undergoing the loss of 550 white collar jobs in National Power's corporate restructuring, also faces 1,250 civilian job losses in the proposed relocation of the town's RAF support base – a national facility – to Huntingdon.

The presence in North York*shire of large food* companies, such as those which make up *York's confectionary sector*, looks relatively secure, but jobs are still likely to go through technological advance and capital investment.

However, the food sector in the county brought some good news last week: Dalepak, the Leeming Bar manufacturer of frozen and chilled foods, reported a 30 per cent growth in profits to £3.93m on turn*over of £40.6m*.

In a bid to spread awareness of the county's high quality food producers, including diversifying farmers, the county council formed The Yorkshire Pantry, providing buyers with a focal point of contact for products ranging from wild boar to handmade biscuits.

The *Pantry's latest showcase* was its own food hall at this month's Great Yorkshire Show in Harrogate.

Yorkshire food has also had an inadvertent publicity boost from the Milk Marketing Board's (MMB) decision to close its Wensleydale cheese factory in Hawes; the last commercial producer of the cheese in the dale.

Yorkshiremen – and cheese lovers nationally – were outraged at the MMB's temerity in suggesting that Wensleydale made in *Lancashire could taste* just as good. (A rescue committee, led by Dales businesspeople who are convinced of Wensleydale's good market prospects, is trying to clinch a deal to buy the dairy from the MMB.)

With brewers John Smith's, Sam Smith's and Bass all at Tadcaster, brewing is impor*tant too* – and not only *for* beer lovers. To the sober souls *at County Hall in Northaller*ton, brewing represents biotechnology, a growth sector.

In April this year the county's brewing tradition led to a highly successful £850,000 share offer, under the Business Expansion Scheme, for Mr Paul Theakston's new Black Sheep Brewery in Masham.

Mr Theakston, formerly *managing* director of the family brewing firm T&R Theak*ston before its takeover* by Scottish and Newcastle in 1988, is about to start commercial production of traditional Yorkshire ale.

Between 1981 and 1989 the numbers employed in North Yorkshire grew by 29,400; a growth rate of nearly 1.5 per cent a year, three times the national average.

But nearly 80 per cent of the net new jobs were part time, and *three quarters* of them occupied by women. And since 1989 the growth has come to a halt.

Losses in traditional manufacturing industry have also contributed to a drop in the number of companies, with more than 300 employees, serving non-local markets. In 1978, 20 per cent of North Yorkshire's employment was in this sector; by 1989 it had dropped to 14 per cent, spread between 41 firms.

"While we've had a steady increase in employment, we're *going through a very substan*tial change which has an *impact on the labour and land* markets," says Mr French. "Very few children will work in their parents' workplaces."

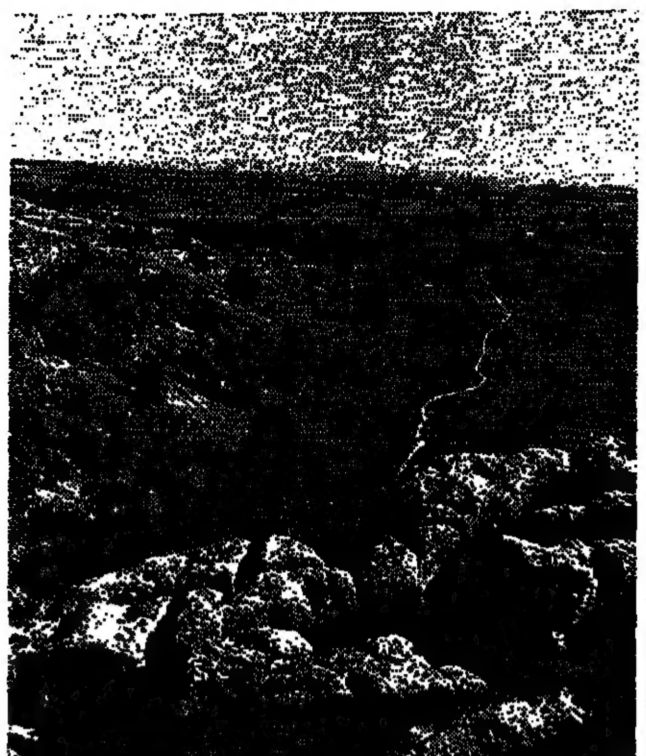
The county's position in the top three of the low unemployment league is also ambiguous. Since January 1989 it has shot from the 23rd position, a rise caused *largely* by the *relatively* greater impact of the recession *on the south. The risk is that*, after the recession, the county will slide back down the league table again.

Recent recession-related increases in unemployment in North Yorkshire have been greatest in the better off areas. But the county's enduring economic problem areas are on its fringes, in the coastal strip *around Whitby and Scar*borough, and on its border *with West Yorkshire*.

North Yorkshire's strong tourist industry provides seasonal employment on the coast – and spin-off for much of the year in York – but it cannot be expected to solve deeper structural problems within the local economy.

The council is lobbying the government to preserve Devel*opment Area status for the* Whitby and Stokesley Travel *to Work Areas in the forthcom*ing national review. It is also pressing for UK and European aid for the Selby coal mining area.

It is also monitoring the Rural Development Commission's review of its operating areas: the RDC currently spends more than £1.5m every year in the county.



The dales: tranquil scenery hides urgent economic challenges

Mindful that self-help is the theme of the times, the county council recently launched the North Yorkshire European Community Office, a £100,000 project to ensure that the county's companies, *especially its* 25,000 small businesses, are *geared up to compete in the* Single European Market.

The county's high technology sector, which is nurtured by its Yortek Association, has been strengthened by the decision of Smith & Nephew, the health care products manufacturer, to relocate its R&D headquarters *from* Harlow *to* the new science park at York University.

Smith and Nephew's £10.5m building, where 300 *scientists* and researchers will work, is now being fitted out.

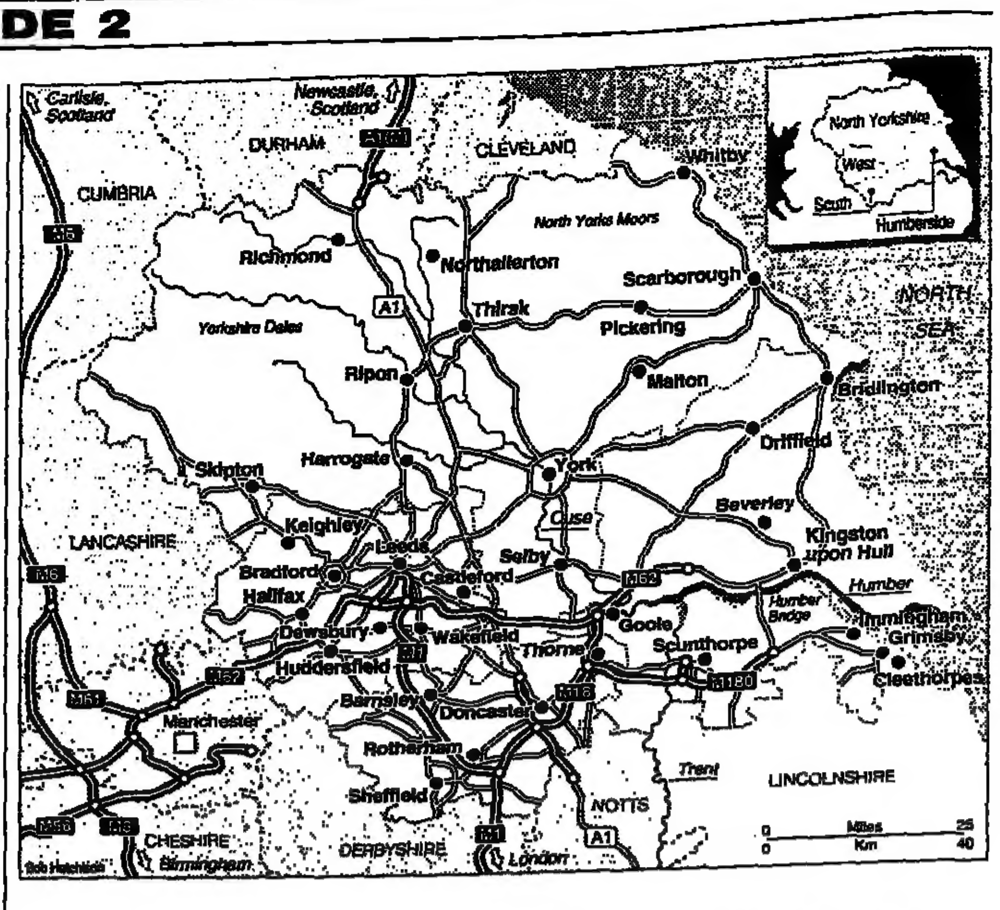
The park, a £23m joint project by the university and P&O Developments Ltd, is one of the few private-sector-funded UK science parks. Smith & Nephew's building is the first *and largest* on the 21 acre site; the park's second phase is now *being marketed*.

The Ministry of Agriculture Fisheries and Food has also opted to relocate its Central Science Laboratory and its HQ operations for food, pesticides and plant health to North Yorkshire, further boosting the county's strengths in research and bio-science.

Like neighbouring Humber*side, North Yorkshire is in the* first wave of local authorities which are being examined under the government's review of the structure of local government.

Unsurprisingly, the county council favours the status quo, arguing that devolution of its services to the eight districts would cost £12m a year.

Chris Tighe



The 'unloved' county closes a national gap

Humberside's surge aids fight for life

Sir John Banham is going to need his renowned skills of analysis and diplomacy this autumn. *It is then that the new* Local Government Commis*sion, which he chairs, will* start looking at the future of Humberside.

The county is an amalgam of most of the old East Riding of Yorkshire and North Lincolnshire, joined by the Humber Bridge in the middle and a no-man's-land of a district called Boothferry at its western border with old Yorkshire.

Traditionally, Tykes live to the north of the Humber and *Yellow Bellies to the south, but* Boothferry, lacking an estuary for opposing factions to shout across, offers no similarly convenient cultural division.

A populist campaign to break up Humberside has been raging for the nearly two decades of its existence, and the county has been officially "under review" since 1985.

First, the *Boundaries Com*mission decided things should stay as they are, then changed its mind after a flood of complaints. Before anything could be done, however, the government decided to re-examine the structure of local government generally under Sir John.

In the meantime, something unusual has happened to Humberside: it has become almost average. The latest figures for regional gross domestic product (GDP) show a transformation during the 1980s.

At *the beginning of the* decade, Humberside's was a *laggard. Its GDP per head was* 87 per cent of the national average, adding to arguments that this was an enforced, unnatural grouping of communities which did not mesh.

But at the end of the decade, Humberside's GDP index was 99.1 per cent, an unheard-of achievement in northern counties. Yorkshire and Humber*side as a whole managed only* 90.7 per cent. Across the Pennines, *north-west England* was at 91.2 per cent.

North Yorkshire, supposedly the richest county east of the Pennines, was at 95.2 per cent. West Yorkshire, which generates most of the region's wealth in absolute terms, had a GDP per head 93.1 per cent of average, with South Yorkshire down at 79.1 per cent.

The *scale of Humberside's* improvement is even more *astonishing when compared to* southern England. At nearly 134 per cent, it was the sixth best in Britain. The increase in economic performance was greater than those of Warwickshire, Oxfordshire, Bedfordshire and Berkshire, and not far behind Northamptonshire, West Sussex, Surrey and Buckinghamshire.

Humberside County Council has worked hard at promoting *the county's position as the* north's leading gateway to Europe. It claims a *fragmenta*tion of authorities could not have had the same effect, because they would have competed with each other and diluted the total impact for a Humberside community that only numbers 860,000 anyway.

Economically, the picture *looks like getting even rosier* as the Humber ports expand rapidly in the wake *of abolition* of the national dock labour scheme in 1989, which freed them from trades union restrictive practices.

"No one can suggest Humberside doesn't work, especially now," says Mr John Parkes, the county's chief executive. "Even the Boundaries Commission admitted it does. We have a *coherent* policy for economic development that benefits both Tykes and Yellow Bellies and which is now proving itself. If it ain't broke, don't fix it."

The test of this argument will not be how it squares with local opinion, but whether it will *impress the Local* Government Commission.

Both sides are *pinning their* hopes on Sir John, but the county council thinks it may have an edge: a former director-general of the Confederation of British Industry and former head of the Audit Commission – the government watchdog on local authority *spending and* efficiency – he understands business and the *arcane world of local* government finance.

Mr Parkes estimates it would cost £11m in transitional costs, plus £2m *a year thereafter*, to abolish Humberside's nine district councils and make the county a unitary authority. But, he says, *it would be even* costlier to do the reverse.

A split into two authorities – one for each bank of the river – would still leave the question of Boothferry, and neither would be big enough to be efficient. Other options, such as Hull and Grimsby each going its own way, would create tiny urban islands and, in Hull's case, permanent Labour dictatorship.

Dr Norman O'Neill, a county councillor who chairs the economic development committee, says: "A lot of people who want to split up Humberside don't recognise the relationship of local government to economic development."

Sir John Banham: in the *middle of Humberside debate*

He thinks that a lot of the opposition to Humberside concerns its name. Calling the county authority a regional *council or renaming it East* Yorkshire and North Lincolnshire might defuse the issue. So might a simple change of postal addresses.

Polls on the issue are confusing. Humberside is unloved, with people preferring old county names, but more than 70 per cent are satisfied with its services and performance. *At the same time, younger peo*ple, who never knew East Rid*ing, identify with it*.

Although people want single tier authorities, *rather than* the present district and county council structure, there is *no* consensus on which options to choose. Regional economic growth in the face of national recession may well be a powerful argument to leave things as they are if growth looks likely to be diminished by break-up.

There is also the argument that this is not a *local* issue. Mr John Gunnell, Labour MP for Leeds South and Morley, chairman of Yorkshire and Humberside Development Association, says: "Humberside has great economic significance for the region and the north. It has a lot to offer stra*tegically as a unit* and its ports are a big selling point for inward investment anywhere within easy reach of them. There is a very good rationale for keeping Humberside together."

Dr O'Neill says: "Sir John Banham is a rational man who understands local government finance and is not in the pocket of the government. We shall be making a rational case."

Ian Hamilton Fazey

Ian Hamilton Fazey on the dock that came back from the dead

Ports are catching the tide

THERE ARE no plans to rename *Hull's Alexandra Dock* after Lazarus, but there should *be. It was laid to rest* in 1981, its overmanned quays undercut by leaner-staffed wharves in the Humber and Trent. It has just been successfully called back from the dead.

With 300,000 tonnes of freight over the past 12 months, the 33-quay dock is expected to reach its *1m-tonne annual* potential of general cargo over the next few years, instead of being a decaying trading relic.

Nothing could be more symbolic of what has happened to Britain's large old ports since the abolition of the national dock labour scheme in 1989. The scheme gave dockers at these ports jobs for life if they wanted them; the result was overmanning, resistance to change and restrictive practices.

In Hull's case, this meant the port was open to shipping 24 hours a day, but ship owners were *lucky to get one* eight-hour shift out of its dockers. *They sailed to "non-scheme" or* foreign ports or – having broken up larger cargoes at them – to wharves in the river.

The removal of these constraints has led to surging growth at all the old "scheme" ports, but Hull believes it is the only one that has actually reopened a silted-up, abandoned dock. "We knew things would improve, but the speed of lift-off has surprised us," says Mr Mike Fell, who manages *Hull for Associated Brit*ish Ports (ABP), its owner.

"We have *yet* to notice the recession because we have been growing continuously. The only downturn we have seen is in Russian timber imports – and that is because of the problems at their end," he adds.

His port is strategically *important to the whole of the* north of England for several reasons. Not only does it face mainland Europe and is easy to get to, but it also has 2,000 acres of land which can be developed.

Moreover, *it is versatile*. Its King George, Queen Elizabeth and *Alexandra Docks handle* passengers, dry and liquid bulk cargoes, containers and roll-on, roll-off (ro-ro) freight. This spread kept it alive in the lean years; it now offers the chance of growth.

Hull struggled to 5.3m tonnes of freight in 1989, the last year of the dock *labour* scheme. That was the year it shut down *its container terminal after* 20 years of losses and a two-year wrangle over-manning levels after United Carriers had pulled out, citing high costs and restrictive working practices.

The terminal was reopened after the scheme was abolished and realistic staffing was agreed. United Carriers is back again, operations are profitable and the terminal is shortly to be extended in size by about 50 per cent.

In the whole port there were no compulsory redundancies, but ABP's workforce went down from 1,400 to 400 almost overnight, with dockers now employed by six lean, stevedoring companies independent of ABP.

The impact of managerial and marketing freedom – combined with pent-up pressure in *the marketplace – was a leap* in annual freight levels to 7.6m tonnes in 1991. The 1992 figure is surging towards 9m tonnes.

Meanwhile, North Sea Ferries – jointly owned by P&O of the UK and Nedloyd of the Netherlands – has broken through the 1m passengers-a-*year barrier with its overnight* services for people and their cars or trucks to Rotterdam and Zeebrugge.

This is the base on which the port of Hull is now going to build, with ABP and Hull's users pouring in investment. ABP is spending £20m over 18 months, including £3.5m on four general purpose cranes, *the first new ones for 20 years*.

It cost £2m to reopen Alexandra Dock – a *considerable* act of faith, as not a single piece of business was in sight. Now, formerly competing wharves operators are setting up on its quays.

Port users have more than £10m of investment under way. Coal imports for power generation will rise from 500,000 tonnes last year to an annual 3m when new bulk handling, *roads and terminal facilities* are completed. Nippress, a Netherlands company, is putting in the port's first cold stores. Anglia Oil is expanding is palm oil business.

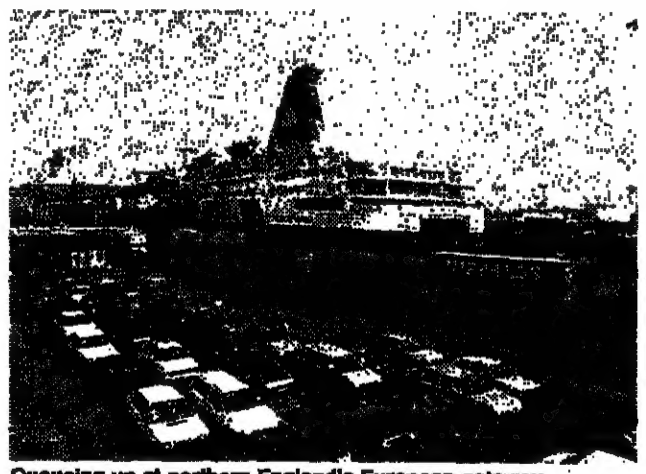
Cement, paper, timber, steel and grain are all growing cargoes. Indeed, one irony is that while *Hull first developed* in the last century to export coal *and import grain, it now* exports grain and imports coal.

North Sea Ferries has two £31m ro-ro superfreighters under construction which will operate to Rotterdam from a new jetty ABP is building in the river itself. Adjustable linkspans between the jetty and *the ships will enable them to* load or unload at any stage of the tide.

ABP's share of the project, which includes about 500,000 sq ft of paved, terminal area, is about £11m. The ships will carry 156 units – trucks with or without trailers – but will accommodate 114 drivers, rather than the handful of people *that smaller vessels carry* on present services.

The new service will run at 22 knots and not have to pass through any locks, as the ships will already be in the river. One will sail in each direction at 10pm each night, enabling shippers to optimise the balance between driving time and rest periods.

With 40m people in Britain within four hours' driving time of Hull – and with Rotterdam offering similar benefits in the Netherlands, Germany, Belgium and northern France – the benefits are obvious for trade in both directions.



Queueing up at northern England's European gateway

ABP also runs three other *Humber ports – Immingham*, Grimsby and Goole. They compete with each other, though not so much as to damage total profits by any of them doing inappropriate work at the expense of another. Between them, they shift a growing 60m tonnes of freight each year.

"This puts the Channel Tunnel in perspective," Mr Fell *says. "It will do only one-tenth* of the Humber ports' volume."

Much industry in the north of England and northern Europe has already taken the point and voted with its wheels.

There are hiccups. Industrial heritage enthusiasts who rushed to get the Alexandra Dock listed after its closure have seriously impeded its return to work. Dock gates had *to be de-listed to be modern*ised and wrangles are still going on because they are attached to listed quays and the new mechanisms proposed for them look too modern for some conservationists.

"We are trying to run a dock, not a museum," Mr Fell says. "It *is private land and assets* and there is no public access. The most infuriating thing has been a suggestion we should find old granite coping stones to repair the quayside instead of using modern materials. We are not talking about saving architectural gems, but restoring very ordinary facilities."

He is nevertheless a happy *man. At a recent meeting with* his opposite number in Hamburg, *his host had to break off* for an urgent labour relations problem. "It was with much pleasure I told him I hadn't seen a trades union official *for* more than two years," he said, smiling broadly.

Ian Hamilton Fazey

Sheffield's recovery has been delayed, writes Chris Tighe

A long wait for better times

THESE ARE frustrating times for Sheffield. It was battered in the last recession, boosted in the late 1980s and the city is now waiting, edgily, for its promised new dawn. It seems a long time coming.

This should have been when all the effort ploughed into public/private sector partnership and derelict land reclamation in recent years, coupled with heavy investment in important new sporting and retail facilities, combined to produce dramatic growth in the city's economy.

Instead, the recession has put on the brakes, leaving Sheffield with a patchwork of smart new developments alongside vacant sites and blighted properties awaiting better times.

Mr John Hambidge, chief executive of the Sheffield Chamber of Commerce, sums it up: "While we thought we were on the launchpad we've been hit by a national recession and national lack of confidence. The property collapse came at just the wrong time for us."

The picture is not all gloom. The chamber's export documentation section is working flat out to cope with a 15 per cent increase in work compared with last year. Mr Hambidge says that Sheffield businesses which survived the last manufacturing recession, which hit the city so hard, have learned lessons and those with strong export and niche markets are even doing well.

He observes, however, that nowhere can insulate itself from a national recession. And while the picture is more mixed in Sheffield than in some more southerly parts of Britain, recession is biting, at least in the short-term.

According to the city council's latest quarterly Economic Bulletin, the increase in Sheffield's unemployment, currently 11.2 per cent, flattened out in the first months of 1992, against the national trend, but looks likely to rise over the coming months.

After losing 40,000 net jobs between 1981 and 1987, Sheffield gained 13,300 between 1987 and 1989, bringing its employment up to 233,400. But the council estimates that there has been a net loss of 3,000 jobs in the past two years. It reckons that 24.4 per cent of Sheffield's jobs now are in manufacturing – 2.6 per cent down on 1989, with the service sector up from 65 per cent to 68.8 per cent.

The bulletin says that development starts and approvals in the city have hit all-time lows, although developer interest remains relatively healthy.

The high degree of local ownership of companies and strong exporting activity are helping to protect Sheffield's manufacturing sector.

Consultants are about to report on the city centre's state and how it can attract investors

Furthermore – again contrary to the national trend – its finance sector looks set for jobs growth.

This is mainly thanks to Norwich Union's choice of Sheffield for its northern headquarters, and Abbey National's decision to locate a new 200-job share dealing base at the new Carbrook Hall Business park in the Lower Don Valley.

The arrival of Norwich Union, which is now upgrading a listed building in the city for its 900-job first phase), is highly significant, says Mr Rod Jones, city council director of land and planning. "It's crucial to the city because it's blue chip."

But this project, too, is not immune to recession; because of cuts elsewhere, more Norwich Union staff are likely to transfer to Sheffield, meaning fewer job opportunities for locals.

The Sheffield Development Corporation (SDC), formed in 1988 to regenerate 2,000 acres of the Lower Don Valley, Sheffield's traditional steel industry heartland, and create 20,000 new jobs, says the recession has produced a "definite slowdown", but it is pressing ahead with land reclamation and site marketing.

So far, says the SDC, £484m of private sector investment has come into its area: Stadium Developments' £400m Meadowhall complex, one of Europe's biggest retail schemes; British Steel's trade centre; a massive warehouse, and the Carbrook Hall business park.

In addition, work is about to start on the prominently sited £70m Canal Basin redevelopment. At Meadowhall, a Retail Park is to open shortly; anchor tenants include Toys R US.

"We tend to be slightly schizoid about Meadowhall," Mr Hambidge admits.

This is hardly surprising, when Sheffield city centre retailers report drops in their takings, since it opened, of between 4 per cent and 25 per cent. Consultants are about to report on the city centre's current state and how it can attract investors.

Disappointingly for all concerned, Sheffield failed in its City Challenge bid this month – the city had hoped it would revitalise development of the blighted shopping and markets area around the Haymarket.

The city centre may also face problems from Sheffield's new, partly government-funded £240m Supertram; although its first phase, to operate from late 1993, could bring shoppers in from Meadowhall it may equally take them there from the city centre.

Better transport links are an important theme in the city's regeneration plans. Work starts at the end of the year on the SDC's spine road through the Lower Don Valley and negotiations are under way with airline operators over routes to be offered from the proposed airport on the Sheffield/Rotherham boundary, on a site currently being opencasted for coal.

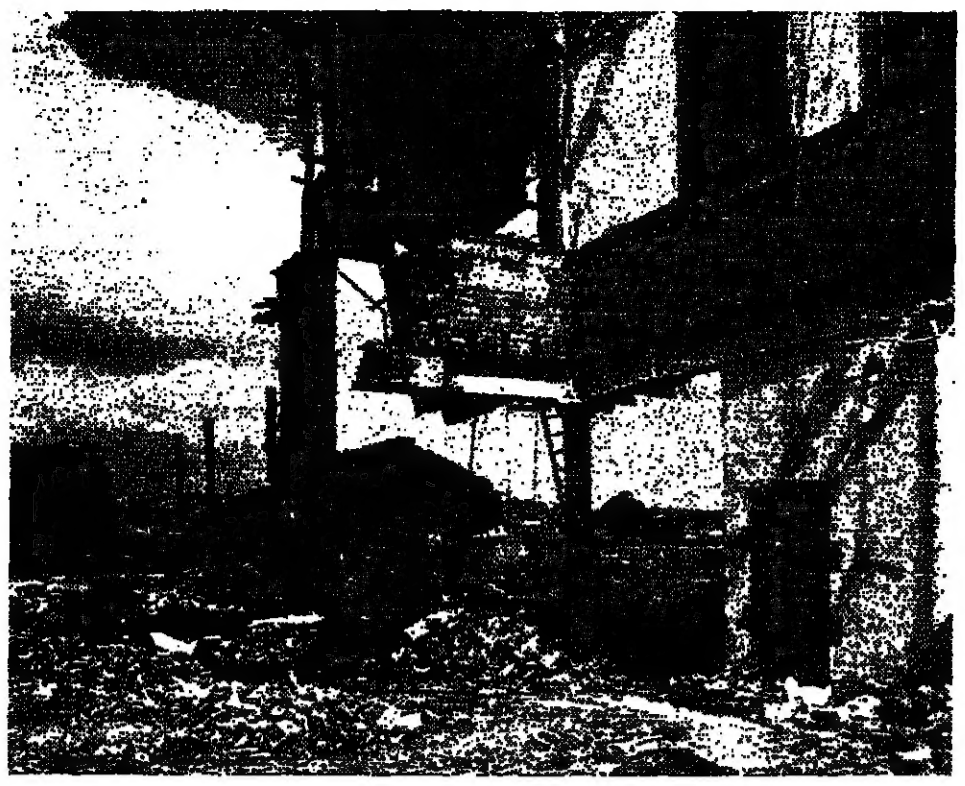
Recently, Sheffield city council has suffered bad press because of financial problems; it has to find savings of £13m this year and could face cuts of £40m in 1993-1994. Leader Mr Mike Bower says it will sell property, including investment opportunities, to raise money. But cuts and redundancies look likely.

The council's financial problems reach back at least to the mid-1980s but were compounded by its decision to host last summer's world student games, which entailed capital expenditure of nearly £150m and left behind not only outstanding sporting facilities but a £10.5m operating loss.

The games were intended to gild Sheffield's image; the losses have done the reverse.

Yet while thinking so big in the cause of image improvement, the council could perhaps help itself in more modest ways.

Weeds grow high on the traffic island which serves the city's central shopping area. While the council has worked hard to create a "cultural industries quarter", with about £10m invested so far, it is publicising this to passing motorists with a sign on a tatty building – as yet unimproved, but prominently located – which is daubed with flyposters for Megadeath's "Symphony of Destruction" and Def Leppard's "Seven Day Weekend Tour".



Awaiting a new dawn: recession has left Sheffield with too many derelict sites

Mr Hambidge, a director of the company which controls the new sports facilities, says they are pulling in top events and capacity audiences as hoped.

But he says the swimming facilities and stadium are not expected to run at a profit; the arena, it is hoped, will generate enough profit to cover their deficits as well as contributing to capital costs.

To the east, in Doncaster, Kyle Stewart Properties has begun work on a 65-acre site owned by Doncaster borough council, adjacent to British Rail's main east coast line. One mile from the M18, it is alongside one of BR's three UK Train Operating Centres, intended as freight marshalling points for Channel Tunnel traffic.

Doncaster council sees the "Direct for Europe" project as a means of capturing not only international freight handlers and warehousing businesses, but also manufacturing companies operating Just In Time delivery systems.

The council envisages a branch line leading from the site to BR's marshalling sidings. But BR has chosen Wakefield for its Channel Tunnel railport; it is still awaiting the result of a public inquiry about its site.

"We believe the private sector will choose," says a Doncaster council spokesman.

For the council, the project would build on the town's long history as a communications crossroads, a traditional confirmed by BMW's opening this year of its new UK distribution centre at Doncaster.

Over in Rotherham, where tradition was rooted in coal and steel, a council official admits – with refreshing candour – that there is little new to report.

He reminisces about the postwar heyday, when 20,000 people, five times today's total, worked in coal and steel in Rotherham. "The employers were interviewed by the potential employees in those days," he says wistfully. It seems a very long time ago.

Pastoral landscape is simply a by-product of the decline of the mining industry

How green is Dearne Valley?

IT IS almost dark, on a hot, sultry July night. Along little country lanes, flanked by stone-built houses garlanded with roses, small groups of people are sipping beer outside country pubs.

Can this really be the Dearne Valley, one of the UK's most devastated, de-industrialised heartlands, a national unemployment blackspot suffering from severe economic, environmental and social problems?

By day, admittedly, parts of the valley – such as the blackened, despoiled Wath Manvers site, reputedly the UK's largest single area of dereliction – look pretty grim.

But the slide back into a greener, almost pastoral landscape – noticeable on such symbolic tracts of land as the site of the former Cortonwood colliery, flashpoint of the 1984-1985 miners' strike – is one of the by-products of the rundown of an industry which, in the last century, precipitated the growth of the Valley's towns and villages, today home to 80,000 people.

The Dearne Valley, 20 square miles of what was the heart of the South Yorkshire coalfield between Barnsley, Rotherham and Doncaster, epitomises the problems and possibilities of the many communities in Britain where a now vanishing mining industry shaped everyone's life.

Given the dearth of alternative employment in the valley – especially for men – many local people would not surprisingly prefer coal mining to greenery.

Local politicians such as Mr Hedley Salt, leader of Barnsley borough council and chairman of the national Coalfield Communities Campaign, believe the decimation of Britain's mining industry and consequent sterilisation of reserves is criminally shortsighted.

But he and his colleagues have also concluded that, in areas where that battle has been lost, their top priority must be economic diversification, environmental upgrading and educational and community development.

This pragmatism has paid dividends; Barnsley is the only local authority to have won the government's £37.5m City Challenge funding twice over: first last year, as part of the Dearne Valley Partnership, with Doncaster and Rotherham Councils; and this month, for Barnsley's north-east corridor. A strong spirit of partnership with the private sector and the local community was an important factor.

Coal mining in the Barnsley area, where the seams outcropped conveniently near the surface, dates back to the middle ages, but its rapid expansion, creating swift growth of the town and its surrounding villages, came in the last century.

A few pits sunk in Victorian times, such as Houghton Main and Grimethorpe, two of just three surviving collieries in Barnsley borough, cling on. But their days are numbered: Mr Salt gives these two and Edwardian Goldthorpe, the borough's other pit – and also the last in Dearne Valley – only five years.

In the past decade, about 30,000 mining jobs have been lost from Barnsley and the Dearne Valley; some of the area's remaining miners now commute up to 70 miles a day to the Selby complex. Many who took redundancy have learned to their cost the difficulty of finding other work.

The Dearne Valley's problems are exacerbated by poor communications; traditionally, coal was moved by rail and collieries were in walking and cycling distance of home. Construction of link road from the M1 to the A1, now under way, has been a top priority.

In a bold move to change the valley's culture, as well as its appearance, the partnership has selected Sheffield University to produce a development plan for a £100m university college, to be built on the Wath Manvers site where four collieries, until a few years ago, disgorged their coal and spoil.

The concept of a university on the doorstep is a big change in an area where the Coal Board was a cradle-to-grave employer, and school staying-on rates were low.

But change is already in the air around Barnsley and not only in the greening of its environment. The council proudly promotes its track record of inward investment, including Japanese roller bearings makers Koyo Seiko, and talks of building a new enterprise culture.

There are more subtle changes too; Mr Salt, quite unprompted, apologises for using the word manpower. "It's not sexist," he explains. "Because it was men who worked in the mines." That too, underlines the area's revolution; male employees in the Dearne Valley are now in a minority.

Hedley Salt: employing the pragmatic approach

In 1984 the Yorkshire coalfield had 53 pits employing 52,000 men: now it employs 14,596 at 21 collieries, mainly grouped around the North Yorkshire/West Yorkshire border, in the Barnsley/Rotherham/Doncaster axis and just over the county boundary in Nottinghamshire.

According to the widely-leaked Rothschild report only 14 pits, seven of them in Yorkshire, would be fit for privatisation. On this basis, the Yorkshire coalfield would shrink to a few isolated collieries, plus parts of the £1.4bn Selby complex, which now produces British Coal's cheapest deep mined coal.

Whether or not privatisation reduces the industry to such a small rump, more Yorkshire collieries are certain to close as British Coal fights to reduce its costs in order to compete against cheap imported coal and the new generation of gas-fired stations.

North Sea gas is a threat; new combined cycle gas turbine stations are being built by both National Power and PowerGen at Killingholme, south Humberside. These plants are among eight large gas-fired stations proposed for the area between the Humber estuary and the Wash.

Plans for a big new coal import terminal at Immingham, also South Humberside, were shelved before the general election but could still be revived, as National Power and Powergen, which currently buy 80 per cent of British Coal's output, have yet to conclude negotiations over its supplies to them after the present contract expires next March.

The £700m flue gas desulphurisation (FGD) project at the Drax power station, which with Eggborough station takes the Selby pits' entire output, is vital to coal's credibility as a suitable fuel for a more environmentally aware age; the project will cut emissions of sulphur dioxide, a critical element in acid rain, by 90 per cent. The first two FGD units will begin operating next year at Drax, Western Europe's biggest power station; the other four will be phased in up to 1996.

At Selby, whose five deep mines came into production between 1983 and 1991, output reached 9m tonnes in 1991-1992. The complex, intended to produce around 10m tonnes annually for more than 25 years, has struggled with geological problems but in 1991/2 achieved 9m tonnes output. Yet, even so, a nasty shock came earlier this year when British Coal announced 190 job cuts.

North Yorkshire County council is pressing the European Commission to make its RECHAR and Objective II aid programmes available to Selby, to counter employment decline in mining and electricity generation. It is also lobbying for the Selby/Goole/Castleford/Pontefract area, which straddles three county boundaries, to get UK government assisted area status.

All this can only heighten the stiff competition for new investment between areas which share a common problem.

But Mr Salt refuses to be downhearted. "It's not very many local government politicians who ever have the chance to reshape their own community. With the collapse of the mining industry, we have that opportunity. We're grasping it with both hands."

Chris Tighe

Tradition of stoicism cushioned West Yorkshire from recession

County of deceptive power

LEEDS, Bradford, Halifax, Huddersfield, Dewsbury and Wakefield are the cities and towns of West Yorkshire, a county of deceptive power. This is where the brass is made, or money as it is called elsewhere. The figures prove it.

With 40 per cent of the 5m population of Yorkshire and Humberside, West Yorkshire contributes 43 per cent of the region's gross domestic product of about £34bn, itself about 8 per cent of the UK's total.

The county is deceptive in that it never seems this powerful. Topography and geography are the reasons. The communities are scattered in dales, separated by Pennine mountains and hills that have never allowed their coalescence into a large conurbation, as has been the case with Greater Manchester, West Yorkshire's bigger neighbour.

Yet the two counties, straddling the Pennines and joined by the spinal M62, are the twin main engines of the northern economy. The war of the roses – red against white – is mainly between these two nowadays. West Yorkshire may be 20 per cent smaller – perhaps because its communities never coalesced – but it is the giant of the east Pennine region and underpins the Yorkshire and Humberside economy.

South Yorkshire accounts for 23 per cent of regional GDP, Humberside for 19 per cent and North Yorkshire for only 15 per cent. West Yorkshire dominates and provides the regional capital in Leeds, a city of 750,000 people showing little sign of serious population decline. Its full range of financial and professional services now competes nationally.

The region has more than 120 quoted companies, nearly two-thirds of them in West Yorkshire. In Leeds alone, there are 14,000 businesses – about one for every 50 people. Industry and commerce in the county as a whole is spread through a wide range of sectors, such as engineering, textiles, construction, retail, chemicals, electricals, food and miscellaneous industrials.

It also houses Britain's most powerful concentration of building societies. The Halifax, the Bradford and Bingley, the Leeds and Leeds Permanent are not so named by accident, but after their places of birth.

Recession is not absent from West Yorkshire, but it arrived late and has had nothing like the impact it had in 1980–82. "I still have plenty of clients who ask, 'What recession?'," says Mr Peter Bancroft of the Leeds office of Haines Watts, the national accountancy firm specialising in small and medium-sized unquoted businesses.

Variety, spread, diversity – and a relatively small service sector when compared with the south-east – cushioned the economy, says Mr John Siddall, Leeds' economic development officer.

Not everything has survived. Mr Siddall says Leeds' clothing manufacturers are "evaporating", but he points to Leeds having the lowest unemployment rate – 9 per cent – of any city in the UK.

Lessons have been learned since 1982. Companies knew not to overborrow, but to build cash reserves and spread their customer base. Mr Peter Coles-Johnson, chief executive of Leeds chamber of commerce, says the region accounts for a disproportionately high 11 per cent of UK exports. Practiced West Yorkshire companies chased sales abroad as soon as southern English markets started to falter.

There is also considerable intra-regional trading, says Mr Ken Denton of the Huddersfield-based Kirklees and Wakefield chamber. He says there is also a tradition of stoicism among older companies, whose owner-managers never spend to the limit of their corporate income, or borrow heavily against it, and save profits from good times to tide them over the bad.

This is seen locally as prudence, however much it was criticised as unadventurous by some London analysts when the national economy was booming.

West Yorkshire also has something else on its side – location. It is at the nexus of the M62, M1 and A1, and is only 50 minutes from Hull. Nowhere has this advantage been better exploited than by Wakefield, the metropolitan borough through which *all* three roads pass. This is now one of the most attractive places for high value-added manufacturing and distributive industries.

Wakefield suffered from pit closures in the 1980s and still has a residue of unemployment *from them, but the most recent* job losses – about 300 at Asda – are more the result of that company's reorganisation than national economic factors.

In any event, Procter & Gamble is bringing in 350 new jobs in the autumn, relocating its Cover Girl cosmetics business from Bournemouth. This is not even unusual: Mr Richard Fung, principal inward investment officer, says Wakefield has won 50 large investments in the past four years.

The biggest were a £50m Coca Cola canning factory and a £20m plant built by Pioneer to allow the Japanese consumer electronics company to attack European markets. Two big inquiries – each involving 400,000 sq ft factories are nearing completion. They will join such businesses as Netto, Superdrug and Safeway. Del Monte's presence is a large banana ripening centre.

The borough council also expects Wakefield to house the region's 20-acre Channel Tunnel terminal, a joint venture with Amec and Railfreight Distribution, offering rail-road flexibility on a 400-acre site called Port Wakefield on the M62 between the M1 and A1.

Apart from some relatively minor steel and coal closure money from the EC, Wakefield has achieved all this with no help from the public purse.

There are some parts of West Yorkshire that need such support, however. Leeds' inner city has the most pressing case, although the city's image of general prosperity has prevented its getting all it needs.

Mr Martin Eagland, chief executive of Leeds Development Corporation, a government agency, says the organisation is now constantly short of funds because the scale of the job it had to do was initially underestimated.

"The estimation was when the market was in a much more confident state," he says. The view was that Leeds would not need so much, *but* infrastructure improvements, such as basic drainage on some sites at £1m a time, were not foreseen at all. Mr Eagland only needs £10m a year to operate as effectively he would like, but has to make to do on £8m.

Generally, Leeds gets only two-thirds of the level of funding of comparable urban development corporations in Sheffield or Manchester – £65m over its lifetime against about £100m for the other cities. It has given good value, levering £4 from the private sector for every £1 from the taxpayer and creating 6,000 jobs.

Leeds' great coup – with Mr Eagland and Mr Siddall both active – has been the capture of the Royal Armouries from the Tower of London. They will move to a purpose-built museum in 1995 in the heart of the city, *but* Mr Eagland worries lest his underfunding prevents the right incentives attracting associated developments.

Mr Jon Trickett, leader of Leeds City Council, says West Yorkshire's general prosperity should not be allowed to mask the *problems* of an emergent, inner city underclass. "We have new tower cranes going up, but I fear the emotions building up in the inner city. People need jobs, but they can't get them without training. And of course they need better housing."

Leeds failed to get City Challenge urban funding because it did not involve the inner city community closely enough in its bid.

Mr Trickett says: "We genuinely feared what might happen if we failed and they felt let down. They are surrounded by success and affluence. *It could well have* sparked off something."

Ian Hamilton Fazey

The new £53.7m headquarters for the Departments of Health and Social Security in Leeds: public sector spending has helped keep the local economy buoyant through the economic downturn

Regional strength is reflected in professional services industry

Financial sector takes off

YORKSHIRE and Humberside have a thriving new industry which has grown rapidly in the past eight years. Mr Richard Wilson, joint senior partner of Gordons Wright & Wright, a Bradford solicitor, sums up why.

"It is the M62 which has made the difference, together with the network of roads feeding into it," he says. "The north can now operate as a business centre regardless of *London. In the past it was* harder to get about locally and all road and rail networks converged on London like a spider's web. People went there for everything."

The new industry is in financial and professional services. The base for it already existed, but was fragmented. It came together in the 1980s, about 10 years after the M62's completion, at a time when London prices were upwardly mobile.

By 1987, more and more companies were using local firms, even if they kept the names of some London firms in their annual accounts for prestige reasons. London was expensive and its firms were becoming big and anonymous. Yorkshire corporate leaders were not serviced by the top partners and often not even by the same junior one on successive visits to the capital.

Only merchant banking was in local short supply. Mr Alan Bottomley, senior partner of what was then AV Hammond, another firm of Bradford solicitors, was one of the first senior West Yorkshire professionals to demand that solitary London merchant bankers get on the train to Bradford, where all the other professionals associated with a deal could gather in half an hour, rather than the locals taking a mob-handed journey in the opposite direction.

A lot has happened since. AV Hammond broke out of Bradford and is now Hammond Suddards, one of the Leeds "big five". All five are all in the top 10 law firms by size outside London and their combined critical mass is one of the reasons why Leeds now enjoys a reputation as Britain's most significant legal centre after the capital.

In 1987, three of the others – Booth & Co, Hepworth & Chad*wick and Simpson Curtis* – boasted they employed 500 people between them. It is double that now. The fifth, Dibb Lupton, has since joined forces with Broomhead, the Sheffield leader, and added the Manchester-based Priors, to create a powerful empire straddling the Pennines and Peaks.

London offices, coupled in some cases with links to similar corporate law firms in other large cities, mean that all now compete in the national market. Size and spread, however, are not prerequisites for success.

Brooke, North and Goodwin manages with "only" 11 partners and 60 staff in Leeds but has only half its work in Yorkshire and Humberside. Mr Michael Goodwin says size may attract some big clients but all clients want value for money and quality.

Leeds legal partners cost half London levels, an important selling point, but what about local competition? "Although we are competitors and would each like to do all the work available, we recognise the strength of acting together through the Leeds finance forum," says Mr Martin Shaw, managing partner of Simpson Curtis.

Mr Peter Smart of Walker Morris, however, says: "The issue is not so much costs as accessibility. We are acting for Kalon in their bid for Manders and can get to the company in about 15 minutes."

Walker Morris, a solicitor employing under 200 people in 1988, has often been in the shadow of the big five from a publicity point of view, but has just got *on* with it. It now has 25 partners with an average age of about 35, a total complement of around 300 and is still growing and recruiting.

"It's only just coming home to London firms that Leeds is a major force," Mr Smart says. "We are not competing so much for London's international work, but within the UK, and the north in particular, where companies have decided they don't want to go to London any more for their services."

He believes an important transformation is under way in Leeds, with clients becoming more selective and picking specialists outside their main advisers for specific jobs. This applies to all professions. A company might, for example, use *one of the big six national* accountants for its audit, but another for tax work and yet another for some specialised consultancy.

Mr Smart believes this keeps advisers on their toes – making them offer keener prices to bread-and-butter clients – while providing the chance to prospect for a wider range of business from a temporary client for a specialised service.

He also says the rise of Leeds has been noticed abroad: when overseas companies now do business in the north, they no longer turn automatically to London. For example, Walker Morris acts for Netto, the Netherlands retailer, which is expanding in the north.

Mr Gordon Horsfield of Price Waterhouse, the accountants, agrees that the use of second advisers for specialist functions is growing. PW, which employs 320 in Leeds, audits 11 of the 50 largest quoted companies in the region but does other work for another nine. "There is a growing transactional basis for buying services and less one-stop shopping," he says.

Peat Marwick, which also audits 11 of the top 50, has a similar spread of specialists on offer.

Mr Ralph Preece, partner-in-charge of corporate special services at Touche Ross, sees considerable opportunities arising as the recession ends. "There is a growing realisation by the banks that you can't look at businesses in terms of fixed assets.

"A company's major asset comes in at eight, goes home at seven and is on site 365 days a year. Bank managers are not skilled at evaluating such people. We are. We have seen a lot of corporate failure and corporate success. We will do that work. We are doing a lot already."

This is crucial work, because there is a shortage of debt. However, one thing that will probably never be in short supply in Yorkshire and Humberside is equity finance. Where few venture capitalists ventured in the early 1980s, a dozen now compete.

The regional network of professionals helps them greatly. All the big accountants have active corporate finance departments and the lawyers have plenty of dealmakers. Merchant banking and development capital services are on hand at County NatWest, Lloyds, Singer & Friedlander and *NM Rothschild*. Henry Cooke and BWD Rensburg offer a range of services from stockbroking to corporate finance.

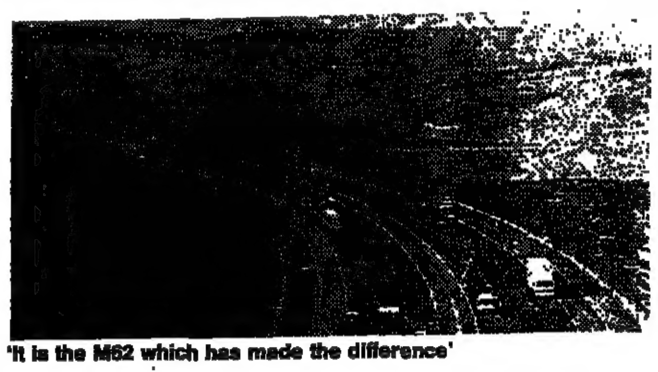
All stand ready to compete with each other – or combine to get a piece of any syndicated action if they cannot win outright or the deal is too big for them. Good businesses on the lookout for capital do not have to look for long. Deals can be done in an afternoon because most offices are walking distance from each other.

Mr David Wilkinson, the 3i director for the region, says his three offices in Leeds, Hull and Sheffield did 56 deals last year – exactly the same number as in the preceding 12 months, but £29m was invested, against £18m in 1990.

"The trend is continuing this year. We have put about £150m into our Yorkshire and Humberside portfolio. Of course there is a recession but there are plenty of opportunities to invest in some good, solid businesses."

It is this, *the local market*, that has spawned Leeds' new professional service sector. It does not appear much damaged by the recession. This must say something about the underlying strength of the regional economy.

Ian Hamilton Fazey



'It is the M62 which has made the difference'